Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Ireland	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt E£2.25	Lebanon SL50.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	U.A.E. Dh6.50
India Rup15	Norway Nkr7.00	U.S.A. $1.00

FINANCIAL TIMES

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World News

Gulf force proposed by tanker owners

The International Association of Independent Tanker Owners in London called on Western countries with a naval presence in the Gulf to form a joint escort force to protect merchant shipping in the region.

The association stressed concern at lack of action to establish an escort service under the UN flag.

US bar on Marcos

The US barred former Philippine President Ferdinand Marcos from leaving his exile in Hawaii because of concerns that he was trying to destabilise the new Government in Manila.

Iranian exiles killed

Iranian exiles in Karachi and Quetta were attacked with rockets and grenades in raids against opponents of Iranian leader Ayatollah Khomeini. Two people were killed and 22 injured.

Chernobyl exclusion

The Soviet Union barred foreign reporters from attending the second day's proceedings of the Chernobyl trial in which six officials from the plant face charges arising from the accident last April.

Seoul frees 307

South Korean authorities freed 307 political prisoners as concern mounted that a funeral service for a student killed in a battle with police last month could provoke a fresh confrontation. Page 4

Johannesburg blast

A limpet mine wrecked a hotel bar in central Johannesburg, injuring four black men. Talks with ANC, Page 4

Rust release 'soon'

The Soviet Union will soon free Mr Mathias Rust, the West German pilot who landed in Red Square, Moscow, a senior Soviet official said. Page 2

Yugoslav strike

About 600 workers at an agricultural machine plant in Rijeka, Yugoslavia, went on strike against low wages in the latest of a series of illegal strikes that have involved nearly 100,000 workers in about 700 stoppages so far this year.

New Iceland coalition

A three-party coalition took power in Iceland, ending 10 weeks of bitter political wrangling, and pledged immediate rises in indirect taxation and an attack on inflation.

Panama bans demos

Panama banned public protests indefinitely after a week of growing anti-government street demonstrations and an attack by gunmen on an independent radio station.

Border guard flees

An East German border guard in a camouflage suit dodged 30 rounds of gunfire as he fled through Spandau forest across the fortified border to West Berlin.

Complaint to Israel

The US complained to Israel about the treatment of Americans of Arab origin arriving to visit relatives in the occupied West Bank.

Poll problems

Thousands of tribesmen armed with arrows and spears disrupted vote-counting in Papua New Guinea's national elections.

Suspect beheaded

Vigilantes beheaded a suspected communist rebel in the central Philippines and gave his head to the army.

Pope's love story

A love story written by the Pope in 1960 when he was an auxiliary bishop in Krakow, is to make its cinema debut in Italy this year, starring Burt Lancaster, Ben Cross and Olivia Hussey.

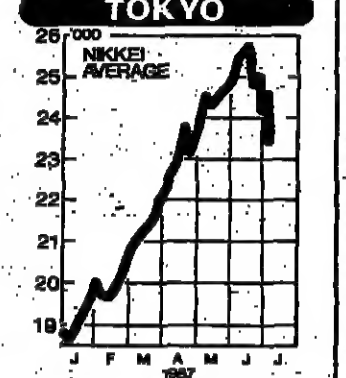
Business Summary

Belgians claim Contibel victory

TWO BELGIAN companies, Groupe Bruxelles Lambert and Tractebel, bidding for Contibel, part of the old Imperial Continental Gas group, yesterday claimed victory after increasing their offer to £448m ($725m) from $395m and buying nearly 15 per cent of the group's shares in the stock market to push their stake above 50 per cent. Page 20

TOKYO: For the fifth consecutive session, share prices plunged on the tokyo stock exchange with investors pessimistic about falling bond prices, the strong dollar and fears of rising oil prices. The Nikkei average dropped 343.67 to close at 23,472.42. Page 42

TOKYO



WALL STREET: By 2pm the Dow Jones industrial average was up 10.84 at 2,460.62. Page 42

LONDON: Equities ran into a technical correction after their recent rise to record levels. The FT-SE 100 index closed 8.5 lower at 2,356.9 and the FT Ordinary was 9.5 down at 1,627.2. Gilts edged up about a 1/4. Details, Page 28

GOLD rose $3.50 on the London bullion market to close at $446.50. It also rose in Zurich to $448.55 ($444.55). Page 30

DOLLAR rose in London to Y150.55 (Y149.70); to DM 1.8415 (DM 1.8395); to FFr 6.1350 (FFr 6.1275); but fell to SFr 1.5335 (SFr 1.5345). On Bank of England figures the dollar's exchange rate index was unchanged at 103.0. Page 31

STERLING fell in London to $1.6180 ($1.6200); to SFr 2.4825 (SFr 2.4850); but rose to Y243.50; and remained unchanged at DM 2.98 and FFr 9.9275. The pound's exchange rate index closed unchanged at 73.0. Page 31

AMOCO CANADA Petroleum has hinted it could raise its C$5.2bn (US$3.93bn) offer for Dome Petroleum on the eve of the court action by Bank of Montreal, one of Dome's secured lenders.

DOW JONES, US business publishing group which owns the Wall Street Journal, has taken a 14 per cent stake in Groupe Expansion, the French business publisher. Page 21

OLIVETTI, Italian office automation group, has formed new company to manufacture and distribute home computers outside of Italy. The new company, called Prodest International, will have initial capital of L10bn ($7.5m).

ALAN CLORE, the British investor who won control of Kaiser Aluminium & Chemical earlier this year, plans to liquidate a substantial part of the financially troubled group. Page 21

AIR FRANCE confirmed that it is to buy seven Airbus A-340 long-range jet airliners Page 5

GUINNESS: A London High Court judge was urged not to order former Guinness director Thomas Ward to repay all the £5.2m ($8.1m) fee the company alleges was wrongfully paid to him. Page 7

AUSTRALIA and New Zealand Banking Group is to shed 250 staff from its London operations in a cost-cutting dreive. Page 7

VOLKSWAGEN-AUDI of West Germany increased its lead at the top of the West European car production league last year, an industry analysis shows. Page 3

North says US and Israel co-operated to free hostages

BY LIONEL BARBER IN WASHINGTON

LT COL Oliver North, the sacked White House aide, yesterday described to Congress how the US and Israel operated a joint venture to free American hostages and pursue joint covert operations worldwide, using profits from secret arms sales to Iran.

Col North also told the joint House-Senate committee investigating the Iran Contra scandal that he had shredded crucial documents on his activities on the orders of Mr William Casey, the now deceased director of the CIA.

During his second day of often melodramatic testimony at the televised hearings, Col North portrayed himself as a hard-working government official anxious to stay within the law but eager to use deception and intrigue to fight Communism around the world and particularly in Nicaragua.

For the first time the 43 year old marine and Vietnam war veteran described the origins of the scandal which has crippled the Reagan presidency and damaged America's standing abroad: the diversion of millions of dollars of profits from US arms sales to Iran to the Nicaraguan Contra rebels during the 1984-86 congressional aid ban.

Col North said he met a senior Israeli government official and an Iranian arms dealer, Mr Manucher Ghorbanifar, whom he and the CIA suspected to be an Israeli agent. The meeting took place in Europe in February 1986 shortly after Israel, with the approval of President Ronald Reagan, shipped anti-tank missiles and anti-aircraft weapons to Iran in exchange for American hostages held in Lebanon.

Col North said he was worried about selling arms to Iran, which sponsored terrorism, and so Mr Ghorbanifar tried to make the arms sales more palatable. During a brief encounter in a public toilet, Mr Ghorbanifar suggested using the money to arm the Contra rebels. 'I thought that using the Ayatollah's money to support the democratic resistance in Nicaragua was a right good idea,' Col North told the congressional hearings.

Col North then pushed the idea within the Administration and, he said, he secured approval from his boss, Rear Admiral John Poindexter, President Reagan's former National Security Adviser.

Mr Casey was also aware of the diversion scheme and throughout yesterday's testimony he loomed large. Col North said he was constantly in touch, supervising his activities, and at one point in October 1986 advising him to shred a ledger containing numerous addresses and names of people involved in helping the Contras. Mr Casey himself had given him the ledger at an earlier date, Col North said.

At times, the marine officer appeared a natural television performer, mixing emotion and melodrama with ease.

Asked why he had allowed a $14,000 security system to be installed at his Virginia home as a personal gift, Col North launched into a 10 minute tirade. He described how he had been informed by the FBI that 'the world's most dangerous terrorist' Abu Nidal had targeted him for assassination. 'I will take on Abu Nidal on equal terms anywhere in the world but I'm not willing to let my wife and my four children meet him on his terms,' said Col North, claiming that the US Government had been unable to provide him with protection.

I don't wish to overdramatise this,' said Col North before reading a description of how Abu Nidal had shot an 11 year-old American girl at Rome Airport in the head during a terrorist massacre. 'I have an 11 year old daughter too'.

But Col North under questioning admitted that he had made a grave error in accepting the security system as a gift and later attempting to conceal it.

But he stressed he had never received a penny from the funds used for the Nicaraguan Contra rebels and had kept accounts scrupulously. On occasions, he said, he had used his own money when the account was low and later reimbursed himself.

North draws praise, Page 4

Indian army on full alert as Hindus attack Sikhs

BY K.K. SHARMA IN NEW DELHI AND JOHN ELLIOTT IN LONDON

THE INDIAN army put on a show of force in the northern states of Punjab and Haryana yesterday in an attempt to prevent further violence following the killing of 72 Hindu bus passengers by Sikh extremists in the past three days.

The army was put on full alert across northern India as angry groups of Hindus attacked Sikhs in some Haryana towns in what has been one of the worst weeks of communal violence since the Sikh agitation started five years ago.

At least six people were killed in the gathering Hindu backlash. State-run All-India Radio said commanders in northern India had been instructed to be ready to assist police to maintain order. At least 15 Sikh-owned shops were burned in Haryana, and anti-Sikh disturbances were reported in neighbouring Delhi, Himachal Pradesh and Uttar Pradesh.

There are fears of a major Hindu backlash against the Sikhs following this week's massacres. The Government has generally been successful in suppressing such a backlash since widespread riots against Sikhs after the assassination of Mrs. Indira Gandhi, former prime minister, at the end of 1984.

Mr Rajiv Gandhi, the Prime Minister, has come under bitter attack from opposition parties

The escalating violence follows his failure to implement a peace accord for the Punjab which he negotiated in 1985. The recent spiral of violence also underlines the fact that "President's Rule"- direct rule from Delhi which was imposed two months ago- is not curbing the killings.

Tension built up between Hindus and Sikhs yesterday when news spread of the second bus attack by Sikh extremists in two days, in which 32 bus passengers were killed.

Unlike most earlier outbreaks of violence which have been concentrated in the troubled Sikh state of Punjab, this second attack was more significant because it took place in the adjacent Hindu-dominated state of Haryana, indicating that the extremists are spreading their area of operationsin an attempt to terrorise Hindus.

Although shops remained closed in nearly all towns in the north in a spontaneous protest against the deaths, some shops owned by Sikhs were set on fire and Sikhs were beaten up in parts of Haryana. Curfews were introduced in some areas.

The government ordered flag marches in which fully armed soldiers marched with guns at the ready through towns, accompanied by patrol cars with manned guns traversing the streets and surrounding buildings. Such a show of force has, in the past, usually restored order.

Hundreds of members of the opposition Bharatiya Janata Party (BJP) were arrested in New Delhi yesterday when they tried to march to the residences of Mr. Gandhi and Mr. Buta Singh, the Home Minister, calling for their resignations because of the Hindu deaths. The BJP has called a one day general strike of offices and educational institutions throughout India today.

Editorial comment, Page 18

OECD welcomes debt moves despite cuts in lending

BY ALEXANDER NICOLL IN LONDON

CUTS IN LENDING from private banks and official sources caused net flows of money to developing countries to fall by 15 per cent last year, according to a report published today by the Organisation of Economic Co-operation and Development.

The OECD, however, strikes a relatively positive note despite this performance and the intensification of debt problems in 1986, caused partly by slower world economic growth and falling commodity prices.

Noting recent initiatives to reduce the burden of debt, such as moves by the Paris Club group of sovereign creditors and the "menu" of financing options offered by banks, it says: "A new phase of co-operation on debt and development finance may have begun, recognising more fully the fundamental nature of the problems."

But it adds: "Greater flexibility, more resources and more adequate and persistent domestic policy measures are required."

The OECD says slower accumulation of debt by Latin American and sub-Saharan African countries is beneficial. "The current pause in the lending process, despite its painfulness, may in prevailing circumstances be an essential contribution to bringing the problems of debt overhang under control."

Last year's drop in net flows included a 4 per cent drop in official development finance - although this was by far the largest source of funds - as well as a sharp drop in net bank lending and a decline in net export credits.

About half of the fall in bank lending was accounted for a slowdown in loans to developing countries, mostly Asian, which have been quite heavy borrowers and which do not have debt servicing problems. South Korea has been repaying loans, and has borrowed far less from banks last year

The OECD notes that protracted negotiations between some countries and commercial banks delayed dis ursements of new loans in 1986, and that 1987 would show an increase. Lending by multilateral development banks dropped in 1986 because there were fewer new projects to finance and repayments of existing loans were rising.

Lord Cockfield
no alternative

Pressure on Cockfield to change EC tax plans

By Quentin Peel in Strasbourg

LORD COCKFIELD, the British Vice-President of the European Commission, faces growing pressure to change his proposals for common rates of indirect taxation throughout the European Community, following the failure of the Commission to agree a comprehensive tax package on Tuesday night.

In spite of the setback, however, the plans for two common bands of value added tax (VAT), and harmonisation of excise duties on cigarettes and tobacco, beer, wine, spirits and petrol, are expected to be approved by the Commission in the near future.

Lord Cockfield told the European Parliament yesterday that there was "no alternative" to the approximation of indirect tax rates in the 12 member states, as an essential step towards completing the single internal market.

His plans were blocked in the 17-man Commission on Tuesday night, when at least four Commissioners opposed them as being either too radical or too inflexible for the member states to consider.

Five members of the Commission were absent from the special session, and officials are confident that the plans will be approved with a clear majority when there is a full turnout. However, the delay means that pressure can be exerted both by member states and individual Commissioners for last-minute alterations.

A Commission spokesman said yesterday that some changes might be made in the presentation of the package to accommodate the objections.

Lord Cockfield's plan is based on the argument that tax barriers at internal EC borders cannot be removed unless the differences in indirect tax rates - VAT and excise duties -

Continued on Page 20

Soviets told not to keep Asian missiles

BY DAVID BUCHAN AND STEWART FLEMING IN WASHINGTON

THE US HAS given the Soviet Union a toughly-worded warning that Moscow cannot have an autumn summit to sign a treaty on medium-range missiles, unless it drops its insistence on keeping some of these missiles in Asia.

'There is no way we are going to have a summit in the autumn to sign an INF (intermediate nuclear forces) accord, with the Soviets retaining 100 in Asia', Mr Kenneth Adelman, head of the Arms Control and Disarmament Agency (ACDA), said in an interview this week. He said recently he delivered the same message on the Administration's behalf to Soviet negotiators.

Earlier hopes of an Soviet compromise on the issue have faded, as talks by some Soviet officials of global elimination of medium-range missiles has so far failed to materialise into a concrete proposal in the Geneva negotiations. Mr Edward Shevardnadze, the Soviet Foreign Minister, has also stalled on the earlier plan for him to meet Mr George Shultz, his US counterpart, in Washington.

Mr Adelman denied that the US, which had formally acquiesced in 100 SS-20 warheads remaining in Soviet Asia in return for an equal number of missiles being held in the US, was hardening its position. The US had always preferred to eliminate INF missiles in Asia as well as Europe, and it was now a practical impossibility to resolve all the extra verification problems posed by leaving both sides with 100 warheads in time for an autumn treaty signing.

"About 80 per cent of the remaining differences in Geneva centre on the remaining 100 warheads', the ACDA chief said. Keeping missile production lines open would require on-site inspection of producion, final assembly and storage facilities, as well as of deployment sites.

It is understood that the US might agree not to convert its Pershing 2 missiles into shorter range Pershing 1-Bs for West Germany, and not to convert ground-based Cruise missiles (covered by an INF pact) into sea-launched Cruises (outside an INF treaty's scope).

THE SOVIET Union will soon free Mr Mathias Rust, the West German pilot whose landing in Red Square in May led to the dismissal of the Soviet Defence Minister, a senior Soviet offical said yesterday. Mr Valentin Falin, head of the Novosti news agency and a former Soviet ambassador in Bonn, said "Rust will be freed soon. The case is coming to an end". The impending release increased expectations of a visit by Mr Mikhail Gorbachev, the Soviet leader, to West Germany. Page 2

Texaco stake raised by Holmes a Court

BY JAMES BUCHAN IN NEW YORK

ROBERT HOLMES a Court, the Australian entrepreneur who has built a fortune from the patient stalking of injured or undervalued companies, has increased his stake in Texaco to 7.44 per cent. The US oil company is fighting for survival in the bankruptcy courts.

Texaco stock, which has risen more than 20 per cent since Mr Holmes a Court revealed a 6.4 per cent stake on May 20, rose $1/4 to $45 in heavy early trading yesterday morning.

In a filing with the US Securities and Exchange Commission, a group of companies led by Mr Holmes a Court announced they had bought a further 2.5m shares in Texaco between May 20 and July 2 at prices up to $41 a share. In total, the group has spent more than $600m building its Texaco holding.

Texaco has been operating under Chapter 11 of the bankruptcycode since April after taking refuge from a $10bn damages award by Texas court to Pennzoil, the Texas oil company which sued Texaco for illegally interfering with its agreement to buy Getty Oil in 1984.

Texaco last month petitioned the Texas Supreme Court to overturn the judgment.

Mr Holmes a Court said in May that he had no intention of seeking control of Texaco, and would not try to influence the legal battle with Pennzoil. He owns just under 30 per cent of Australia's largest company, the natural resources and steel concern Broken Hill Proprietary. Last year, he disclosed a stake in USX, a US steel and energy group, but sold out of the stock later.

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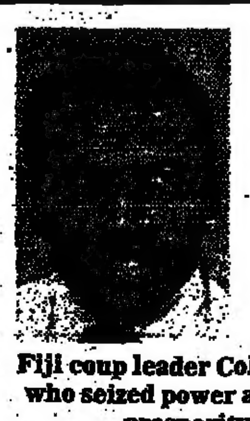

Fiji coup leader Col Sitiveni Rabuka, who seized power at a time of rising prosperity, Page 18

PARADISE POSTPONED BUT NOT YET LOST

MEPs fail to block supplementary budget

BY QUENTIN PEEL IN BRUSSELS

THE European Parliament yesterday tried—and failed—to reject a supplementary budget for the European Community, lifting the threat of immediate financial crisis from EC farm funds.

In spite of a big majority in favour of rejecting the budget, the MEPs could not muster the necessary absolute majority of 260 votes required to block the deal agreed by the budget ministers of the 12 member states. They nevertheless expressed their frustration and anger with the whole EC budget process by dissociating themselves from the supplementary budget, which uses a variety of accounting devices and delayed payments to bridge a Ecu 6.3bn gap in the current year's finances.

Behind the vote lay a furious row between the MEPs and the Danish Government, currently in the chair of the Council of Ministers, which refused to allow extra time for a second reading of the budget. In the end, 232 mebers voted to reject the budget, with only 85 in favour

Included in the rejection front were both British Conservative and Labour MEPs, in spite of heavy lobbying by British government officials to let the budget through. MEPs from most member states faced similar pressure from their national officials not to bring the Community's rumbling financial crisis to a head so soon.

The vote means that the Community can now limp through to the end of 1987, thanks to delayed payments for a whole range of budget items, but it will face an even more dire cash shortage in 1988. The budget deal still requires the aproval of agriculture ministers next week on a proposal to switch some Ecu 4.2bn in farm payments from advances to reimbursements after the year end.

UK floats ideas on holding down farm spending

BY TIM DICKSON IN BRUSSELS

CONTROVERSIAL British ideas for putting an effective clamp on soaring EC agriculture spending have been put forward in Brussels. If taken up they would further limit guaranteed Community purchases of surplus foodstuffs such as cereals and trigger sharp cuts in price and other supports whenever the EC budget threatened to breach its target.

The UK's detailed suggestions are contained in a paper presented to the European Commission and the delegations of other member states. Senior Commission officials are understood to be interested but, though it is still too early for considered reactions, some of Britain's Community partners will be noticeably less enthusiastic. A senior West German spokesman immediately rejected the plan adding that it was "too strict and too automatic."

The proposals cover a number of technical ideas for streamlining the EC budget procedure and forcing the Commission and member states to adhere to budget discipline guidelines devised in 1984. The latter have been largely ignored in the face of the falling dollar and rising agricultural productivity (two of the chief factors responsible for soaring agricultural spending). The most interesting section, however, spells out in more detail plans for so called "agricultural stabilisers," new Euro-jargon for "binding legal measures . . . to keep the level of expenditure within the budgetary framework." Several options are given for individual product regimes but the British paper sets out four principles that should be adopted:

- They should progressively help restore public "intervention" (guaranteed EC purchases) to its intended role as a safety net rather than an alternative market outlet.
- They should be adapted to the characteristics of each commodity regime and be triggered by the main factors responsible for excess expenditure (e.g. the levels of production, world prices and intervention stocks).
- Wherever practicable they should operate on expenditure within the year in which overspending is forecast without the need for further decisions by the Council of Ministers.
- They should not involve revenue-raising devices likely to reduce consumer demand through increased prices or to conflict with the Community's obligations in the Gatt. (This last point is a disguised reference to the Commission's proposal for a tax on vegetable and marine oils.)

Balladur plans FFr20bn tax cuts next year

BY GEORGE GRAHAM IN PARIS

MR EDOUARD BALLADUR, France's Finance Minister, plans tax cuts of around FFr 20bn (£2bn) in next year's budget, with at least FFr 6bn of reductions in personal taxation.

Decisions on government spending for the 1988 budget had been completed, he said, in an interview yesterday, and the income sideof the budget would be completed next month. He said he was happy with the outcome of the budget process, which would keep the government deficit down to FFr 115bn, compared with FFr 141bn this year.

Mr Balladur's budget projections will have to be completed in the light of France's economic prospects, which have weakened in line with those of most of its neighbours.

Insee, the government statistical office, has revised its economic growth forecasts for 1987 to an increase of 1.3 per cent in gross domestic product, compared with a projection of 2 per cent growth included in the Government's budget forecasts for 1987.

The Minister said he would not revise his own growth forecast until the 1988 budget was presented, but he noted that Insee had confirmed its forecast of a 4.5 per cent increase in productive capital investment in 1987.

In addition, Insee forecasts that France's inflation rate will have dropped to only 2 percentage points above that of West Germany by the end of the year, compared with a gap of 3.9 per cent at the beginning of the year and 3.2 per cent at present.

The statistical office, which has sometimes come under attack from the Government for publishing unnecessarily pessimistic economic statistics and forecasts, says that France's foreign trade deficit will reach FFr 25bn this year.

Mr Balladur noted, that Insee expects the manufactured goods trade balance to be in surplus in the third and fourth quarters of the year, with a surplus of FFr 3bn in the fourth quarter.

He also announced another round of reductions in exchange control mechanisms, the sixth such progressive reduction since Mr Jacques Chirac's government of came to power in March 1986. French citizens travelling abroad will in future be able to take as much money with them as they want, although sums above FFr 50,000 will have to be declared at the frontier. Tourists have in the past been allowed to take only FFr 12,000 with them, although they have been allowed to use their credit cards freely.

Restrictions on foreign tourists taking French currency out of the country with them will also be ended.

Balladur: exchange controls eased

UK urges Turks to withdraw some troops from Cyprus

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE BRITISH Government has officially urged Turkey to reduce its military presence in the northern part of Cyprus as a step towards a settlement of the Cyprus problem, officials said in London yesterday.

The appeal was made by Sir Geoffrey Howe, the Foreign Secretary, to Mr Vahit Halefoglu, his Turkish opposite number, on the last day of the Turkish Foreign Minister's official visit to London, during which he also had talks with Mrs Margaret Thatcher, the Prime Minister.

Sir Geoffrey, echoing the recommendations made last week by the House of Commons Foreign Affairs Committee, expressed the opinion that only a small reduction of Turkish troops in northern Cyprus would lead to a disproportionately large increase in confidence between the Greek and Turkish communities on the island.

However, Mr Halefoglu, who argued that Turkish troops were stationed in northern Cyprus as a counterweight to a military build-up in the Republic of Cyprus, gave no indication that Ankara was prepared to make a gesture of the kind proposed by Sir Geoffrey.

The Foreign Secretary also urged Turkey to persuade Mr Rauf Denktash, the Turkish Cypriot leader, to respond positively to the latest proposal by Mr Javier Perez de Cuellar, the United Nations Secretary-General, for so-called parallel talks between the Greek and Turkish Cypriot communities.

In a speech to the Royal Institute of International Affairs at Chatham House yesterday, Mr Halefoglu stated unequivocally that Turkey had no intention of "paying any political price" for full membership of the European Community. His remarks clearly implied that Ankara was not prepared to make concessions on Cyprus merely to obtain entry to the EC.

Britain has made it clear that it will not make up its mind finally on full Turkish membership until the European Commission has produced its "considered opinion"

Freedom soon for Red Square pilot

By Patrick Cockburn in Moscow

THE SOVIET UNION will soon free Mr Mathias Rust, the West German pilot, whose landing in Red Square in May led to the dismissal of the Soviet Defence Minister, a senior Soviet official said yesterday.

Mr Valentin Falin, head of the Novosti news agency and a former ambassador in Bonn, said: "Rust will be freed soon. The case is coming to an end now. You should wait some hours or some days and then a solution will be reached."

The impending release of Mr Rust and increased expectations of a visit by Mr Mikhail Gorbachev to West Germany are signs of increased warmth between Bonn and Moscow.

West German President Richard von Weizsaecker, currently on an official visit to the Soviet Union, said yesterday that his aim was to open up a new chapter in Soviet-German relations and this hope had largely been fulfilled.

He refused to comment on Mr Rust's release or the timing of a visit by Mr Gorbachev to West Germany. In Bonn an official was quoted as saying that Mr Gorbachev would come within the next 12 months, but this could not be confirmed in Moscow.

A visit by Mr Gorbachev would bring to an end a cool period in relations between West Germany and the Soviet Union which soured during the introduction of cruise and Pershing 2 missiles into Europe in the early 1980s. Chancellor Helmut Kohl's comparison of Mr Gorbachev to Joseph Goebbel's, Hitler's propaganda chief, last year led to the cancellation of a number of ministerial visits.

The 19-year-old Mr Rust, who has been held in Lefortovo prison in Moscow since he landed his light aircraft near St Basil's Cathedral in Red Square on May 28, has been the topic of intermittent Soviet press speculation that he had not acted alone.

However, the seriousness with which Mr Gorbachev has chosen to take Mr Rust's escapade was evidently heavily influenced by the decision to use it as an occasion to retire Marshal Sergei Sokolov, the Defence Minister, and dismiss Marshal Alexander Koldunov, the head of air defence.

President von Weizsaecker told a news conference yesterday that West Germany was till potentially the Soviet Union's biggest partner in Europe despite the continuing influence of the last war and the division of Germany. He underlined that scientific co-operation could be much increased.

On the question of the emigration of Soviet citizens of German nationality, of which there are 2m living mainly in Kazakhstan, the President said he was pleased by recent Soviet actions. Some 4,300 Germans have emigrated this year and another 5,000 applications to leave are being considered, say Soviet officials.

No real progress on nuclear arms control issues or the retention of 72 Pershing 1-As in West Germany has come from the visit. The Soviet side appears to feel that Mr von Weizaecker and Mr Hans-Dietrich Genscher, the West German Foreign Minister who is accompanying him, hold more liberal views on German-Soviet relations than the Bonn Government as a whole and is unclear how far future relations with West Germany will be on a new footing.

Soviet ambivalence towards Bonn was also underlined by Mr Gorbachev questioning the sincerity of West German leaders in adhering to treaties on the division of Germany. The President's own remarks at the meeting were only reported in brief by the Communist party newspaper, Pravda.

Mr Eduard Shevardnadze, the Soviet Foreign Minister, is expected to visit Bonn in the autumn.

Rescue scheme for Bavarian steelmaker under consideration

BY DAVID MARSH IN BONN

THE WEST GERMAN Government will be examining during the next few weeks the proposed rescue plan for Maxhuette, the bankrupt Bavarian steelmaker, to see if it conforms with EC guidelines on subsidies, a spokesman for the Economics Ministry said yesterday.

This followed Tuesday's call by the Bavarian state government for funds from Bonn to help cushion the impact of job losses at company, which filed for bankruptcy just before Easter after a decade of deficits.

The affair seems likely to set off further bickering over industry policy and jobs within the Bonn coalition. It is the latest episode in controversy about government aid for the embattled steel industry which is facing 20,000-30,000 job losses as a result of faltering demand and bitter EC competition.

The two junior members of the Bonn coalition may see their relations further disturbed by a row over cash for Maxhuette. The Economics Ministry, under the control of the liberal Free Democratic Party, is already embroiled in tussles with the Christian Social Union (CSU), the Bavarian conservative party, over several issues ranging from the Government's sluggish privatisation programme to plans to liberalise the telecommunications system.

Under the Bavarian plan to maintain a slimmed-down Maxhuette in the economically weak area of eastern Bavaria, 3,000 of the present 4,000 jobs at the plant would be lost over a period of five years.

The plan has sparked off anger in the Sulzbach-Rosenberg area where the plant is sited. But it faces a period of close scrutiny both from the Bonn government and from the EC commission before it is approved.

Mr Anton Jaumann, Economics Minister in Bavaria's CSU government, said on Tuesday that a holding company with a capital of DM 100m would be set up to run a newly-formed Maxhuette. The Bavarian government would take a stake of up to 49 per cent.

Mr Jaumann claimed that a number of steel companies such as Krupp and Thyssen were also interested in taking stakes. The concern would function either simply as a rolling mill working steel produced by other suppliers or as a streamlined plant concentrating on higher qality steel. These two plans would require DM 130m and DM 160m in investment respectively.

US says modernisation of Pershing 1As up to Bonn

BY OUR BONN CORRESPONDENT

THE US is giving Bonn full backing in its contention that West Germany's 72 elderly Pershing 1A nuclear-tipped missiles should not be included in the superpower talks on eliminating medium - range nuclear missiles (INF) from Europe. But it is making clear that the controversial question of their possible modernisation will be a matter purely for Bonn.

This view about the missiles, which have emerged as a contentious issue during the latest arms control talks, is likely to be put to the Bonn Government today by Mr Richard Burt, the US ambassador.

The Pershing 1As, first deployed in 1962, are owned by the West German air force but their warheads are controlled by the US. The Bonn Defence Ministry has been planning for some years to modernise them at the beginning of the 1990s, possibly by converting them into a shorter range version of the Pershing 2 missiles due to be removed under the INF accord.

This updating is favoured by right-wingers in the Bonn coalition who believe the prospective INF deal will endanger West German security. However, given the strong public support for disarmament, such a move would be extremely difficult politically for the Government to push through.

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Waldheim invited to visit West Germany

PRESIDENT Richard Von Weizsaecker has invited Austrian President Kurt Waldheim to visit West Germany, Foreign Minister Mr Alois Mock said yesterday, Reuter reports from Vienna.

Mr Weizsaecker proposed a "neighbourly meeting," according to Mr Mock. Though such an unofficial meeting would not rank as a state visit, the invitation is the first extended to President Waldheim by a Western head of state to have been made public.

The former UN chief has been widely ostracized by the West since allegations in March last year linking him with war crimes by Nazi occupying forces in the Balkans during the Second World War.

Although President Waldheim denies all accusations, the US in April placed him on its "watch list" of undesirable aliens because of suspicion over his war record.

News of the invitation came when Mr Mock was answering journalists' questions after talks with Soviet Prime Minister Nikolai Ryzhkov, who today began a four-day visit to Austria.

Mr Mock said he did not believe Mr Ryzhkov had brought with him an invitation for Mr Waldheim to visit the Soviet Union but that the Austrian head of state, who took office exactly a year ago, "had enough invitations for 18 months."

President Waldheim, who followed his first trip abroad to the Vatican last month with a visit to Jordan last week, has been invited to Iran, Iraq, Syria, Libya, Egypt, the United Arab Emirates, Uganda and Hungary.

Asked whether President Waldheim had received any invitations from Western countries, Mr Mock replied:

"There was the visit to Rome. There is the invitation from Von Weizsaecker for the continuation of neighbourly meetings and there are two other invitations which the president has not yet announced."

Presidential spokesman Mr Kurt Skalnick confirmed Mr Von Weizsaecker's invitation for the unofficial meeting but could not say where or when it might take place. He declined to comment on the other two invitations mentioned by Mr Mock.

President Waldheim's predecessors have had regular informal meetings with their opposite numbers in West Germany.

The failure of President Waldheim to attract invitations from the West has embarrassed the government of Socialist Chancellor Franz Vranitzky and hampered his pro-Western policies.

Brussels to make more payments in Ecu form

BY TIM DICKSON IN BRUSSELS

BENEFICIARIES of European Community funds are in future likely to receive their money in Ecus (European Currency Unit), following an initiative announced yesterday by the European Commission.

In what is the latest move in Brussels to boost the use and acceptability of the European Currency Unit, a basket of currencies representing the total of the fixed weights of 10 EC countries' currencies, the Commission also intends to propose that the annual contributions of member states and payments out of the Community budget be officially denominated in Ecus.

Already experts who attend meetings in Brussels, freelance interpreters and the suppliers of some goods and services are paid with Ecu cheques.

But this practice will now be widened to include research contracts negotiated under the Esprit, Race and Brite programmes. Community tenders, and possibly even salaries of Commission staff. "At the moment it is done on an ad hoc basis but we want to make it much more general," a Commission official said yesterday.

He said that last year only 15 per cent of non-agricultural spending was made in Ecus and that the aim was ultimately to increase this to 100 per cent.

The Commission, however, will have to win the approval of member states for its plan to denominate the EC budget in Ecus and to make payments from the Regional and Social Funds in the European currency.

In practice it admits that there will have to be substantial exemptions for most member states which will initially cover 80 to 90 per cent of Community receipts. "The principle, however, is important," added the enthusiastic Commission spokesman.

● A large amount of the European Community's so-called butter mountain will soon be on its way to the Soviet Union at special knockdown prices, officials said yesterday, Reuter reports from Brussels.

In the latest bid to lower the community's ageing butter stockpile, they said traders had clinched a deal for 100,000 tonnes of butter which has been stacked in cold stores for more than 18 months.

They said the price was not yet fixed, but was likely to be near that of previous deals this year in which butter was sold to Moscow at around $24 per 100 kg – about 15 times less than the original subsidised purchase price.

The sale, which is likely to receive official approval from the EC's Brussels headquarters within the next two weeks, would allow the community to meet a target for the export of old butter this year of 400,000 tonnes.

The export deals are part of a community plan to reduce the butter mountain by one million tonnes by the end of 1987.

The current surplus is estimated at 1.2m tonnes and storage costs alone are put at over $1m a day.

Last week, the community's market managers agreed not to buy any more butter from EC farmers until the situation improved.

In December, farm ministers agreed to cut dairy production quotas by 9.5 per cent over two years and set aside over one billion dollars for the financing of cheap export deals.

Spending on the community dairy sector accounts for 25 per cent of the total farm budget of some $27bn.

Doubt on Denmark pledge

By Hilary Barnes in Copenhagen

CONFUSION HAS arisen over whether Denmark supports the EC Commission's proposal to link membership payments to each country's gross domestic product (GDP).

Support for the proposal was expressed in the final communique from last week's EC summit, which was signed by the Prime Minister, Mr Poul Schlueter.

The fact that Denmark has supported the proposal along with ten other countries was emphasised in Strasbourg on Tuesday both by Mr Wilfried Martens, the Belgian Prime Minister, and Mr Jacques Delors.

But Mr Schlueter told the Folketing market affairs committee last Friday that the relevant clause in the communique only had symbolic significance

"We have never yet seen heads of government reneging on what they have promised," commented Mr Henning Christophersen, the Danish member of the Commission.

The Foreign Minister, Mr Uffe Ellemann-Jensen, tried to smooth out ruffled feelings saying that while Denmark was against the proposed system of linking budget contributions to GDP, it was in favour of the richer countries paying more than the poorer ones.

Hungary's new banks begin competing for company deposits

BY LESLIE COLITT IN BERLIN

HUNGARY'S FIVE new commercial banks began competing this month for the deposit accounts of state companies.

Under the two-tier banking system set up last January the Government assigned company clients to the commercial banks but allowed them to compete in providing loans. The restriction has been lifted and the banks have begun seeking out company deposits on the basis of the services they provide.

The separation of commercial banks from the central bank was hailed in Hungary as an important step in the "monetarisation" of the economy. The next phase will be introduction of a value added tax and personal income taxes for employees of state companies.

The Hungarian central bank last month increased refinancing interest rates by 2 per cent to prevent more money from being made available tha nplanned to the investment market. Hungarian companies currently pay 13 per cent interest for short-term loans.

But only 10 per cent of total investments are financed by loans while the rest come from within companies or from the state budget. Between 70 and 80 per cent of company profits are currently taxed and redistributed to loss-making companies as subsidies.

VAT, which is expected to be introduced next January 1, will lead to a sharp decline in company taxes and in subsidies for unprofitable companies.

Mr Janos Fekete, first vice-president of the national bank, suggested recently that the leadership was still equivocal on whether to allow loss-making companies to go into bankruptcy. He noted that it was not against liquidating them but was also "not clearly saying it is in favour."

Under the wage reform, which is to be introduced over the next few years, an estimated 40 per cent of companies would be able to pay higher wages based on their profits, he said. He predicted that this would lead to the first genuine movement of labour and capital in Hungary.

VW extends lead in European car output

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLKSWAGEN-AUDI of West Germany increased its lead at the top of the West European car production league last year, according to an analysis by the Automotive Industry Data information group.

Fiat-Lancia of Italy and the Peugeot-Citroen-Talbot group of France also advanced strongly, and both overtook Renault of France which was pushed from second to fourth place.

Ford moved ahead of General Motors, the Opel-Vauxhall group again so the two US multinationals swapped places in the league compared with their 1985 positions.

According to AID's 1987 Data Yearbook, other companies which increased their car output substantially last year compared with 1985, included, Saab of Sweden and Daimler-Benz, the Mercedes group of West Germany.

Among the main losers in 1986 was Rover, the state-owned UK company, which dropped two places down the league to fall behind both BMW of West Germany and Volvo of Sweden for the first time.

However, in percentage terms, the largest falls in output were suffered by two Italian specialist companies, Bertone and Maserati.

The AID statistics exclude double counting of output which is prevalent in national statistics because many car companies produce kits in one factory—where they count as production—to another for final assembly—where they are counted again.

The figures confirm that there was a relatively strong increase in West European car output in 1986 compared with the previous year: one of 6.6 per cent from 10.83m to 11.55m.

VW's production last year continued to be underpinned by the success of its new Golf/Jetta range. More than 1m were produced at the Wolfsburg factory.

WEST EUROPEAN CAR PRODUCTION

	1986	1985
Total	11,547,081	10,834,498
	Producers' shares %	
VW-Audi	16.20	16.01
Peugeot-Citroen	13.39	12.89
Fiat-Lancia	12.64	11.07
Renault	12.37	13.12
Ford	12.18	12.07
GM (Opel/Vauxhall)	11.80	12.30
Mercedes	5.13	4.96
BMW	3.74	3.98
Volvo	3.58	3.66
Rover	3.50	4.29
Seat	1.83	1.93
Alfa Romeo	1.46	1.45
Saab	1.09	1.03
Porsche	0.46	0.50
Jaguar	0.35	0.35
Innocenti	0.11	0.14
Bertone	0.04	0.053
Maserati	0.04	0.05
Ferrari	0.03	0.03
Rolls-Royce	0.02	0.02
Lotus	0.01	0.01
Others	0.04	0.05

Source: Automotive Industry Data 1987 Yearbook

The 10 most-produced models last year were: 1, VW Golf/Jetta (1,005,892 produced); 2, Fiat Uno (661,635); 3, Opel Kadett / Vauxhall Astra (655,936); 4, Ford Escort/Orion (581,437); 5, Peugeot 205 (520,663); 6, Renault R5 (484,539); 7, Renault R9/11 (402,957); 8, Ford Fiesta (362,786); 9, Ford Sierra (346,680); 10, BMW 3-series (317,786).

"Automotive Industry Data 1987 Yearbook volume 1"—£60 or $90 from 34 St John Street, Lichfield, Staffordshire, WS13 6PB.

Greece protests to Nato

BY ANDRIANA IERODIACONOU IN ATHENS

The Greek Government has protested to Nato about remarks by a senior alliance official repeating recent US allegations that Athens bargained with the Abu Nidal terrorist group for immunity against bomb attacks on its soil.

The US allegations, made public 10 days ago, led Athens to freeze the start of talks on the future of the four US military bases in Greece. The present agreement on their operation expires in December 1988, and the Greek Government has said the talks cannot start until Washington retracts the allegations publicly.

The protest delivered to Lord Carrington, Nato's secretary-general, by Greece's ambassador to the alliance concerned remarks by the chief of Allied Forces Southern Europe, Admiral J. Boosey. He was quoted in the press as having said at a recent meeting: "We have three American generals in danger in Greece. How can we be sure there is security when Abu Nidal is circulating freely?"

AMERICAN NEWS

OECD report shows optimism on debt problem

BY ALEXANDER NICOLL

CUTS IN lending from private banks and official sources caused net flows of money to developing countries to fall by 15 per cent last year, according to a report published today by the Organisation of Economic Co-Operation and Development.

The OECD, however, strikes a relatively positive note despite this performance and the intensification of debt problems in 1986 caused partly by slower world economic growth and falling commodity prices.

Noting recent initiatives to reduce the burden of debt, such as moves by the Paris Club group of sovereign creditors and the "menu" approach of banks, it says: "A new phase of co-operation on debt and development finances may have begun, recognising more fully the fundamental nature of the problems."

But it adds: "Greater flexibility, more resources and more adequate and persistent domestic policy measures are required."

The OECD says slower accumulation of debt by Latin American and sub-Saharan African countries is beneficial. "The current pause in the lending process, despite its painfulness, may in prevailing circumstances be an essential contribution to bringing the problems of debt overhang under control."

Last year's drop in net flows included a 4 per cent drop in *official development finance*—though this was by far the largest source of funds—as well as a sharp drop in net bank lending and a decline in net export credits.

About half of the fall in bank lending was accounted for a slowdown in loans to developing countries, mostly Asian, which have been quite heavy borrowers and which do not have debt servicing problems. South Korea has been repaying loans, and China borrowed far less from banks last year than in 1985.

The OECD notes that protracted negotiations between some countries and commercial banks delayed disbursements of new loans in 1986, and that 1987 *would show an increase*. Lending by multilateral development banks dropped in 1986 because there were fewer new projects to finance and repayments of existing loans were rising.

Official export credits have declined more sharply than bank loans since 1982, though this has been due partly to falling oil and commodity prices, lower interest rates and technical reporting reasons.

Brasilia protests call for ousting of Sarney

BY IVO DAWNAY IN RIO DE JANEIRO

A RALLY *in Brasilia on Tuesday* night to demand the ousting of President Jose Sarney and the calling of rapid presidential elections consistently booed the dominant Brazilian Democratic Party.

Organised by left-wing parties and unions, the demonstration was the most vivid display yet of public anger at the party that just eight months ago won a landslide election victory.

The PMDB's greatest psychological problem since winning a majority in both houses of Congress has been to decide whether it is a genuine part of government or an opposition.

Technically, the party—born as a grand coalition of democratic forces during the 21-year military dictatorship—is part *of a "Democratic Alliance"* with the right-wing Liberal Front, that supports President Sarney's administration.

But its lack of control over an executive that still rules by decree powers, without reference to Congress, has been obvious. When more than 700 delegates meet at a party convention next week, the PMDB's role, along with the length of the President's mandate will be top of the agenda.

Mr Ulysses Guimaraes, the PMDB president, had initially opposed debating the issue of the presidential term for fear of splitting the convention. Some PMDB members favour a five year mandate, others four, and others immediate elections

Peru wants to restore links with World Bank

By Barbara Durr in Lima

PERU WANTS to restore its relations with the World Bank, according to the new Prime Minister, Guillermo Larco Cox.

The World Bank halted disbursements to Peru in April after the country declined to pay its obligation on time.

Peruvian officials said then that the country could not afford to pay the bank because it received less than it paid out and that the bank's projects were not considered top priority.

Mr Larco Cox now says the bank's negative flow was Peru's fault for not presenting new projects and executing existing ones quickly. He said Peru was seeking a way to reduce the amount of arrears it must pay to return to the bank's fold.

Peru is considering a debt for equity scheme and is also seeking to restore credit lines.

Mr Larco Cox said that he seeks to restore the country's credit *lines in order to give* the business community confidence.

President of Panama bans demonstrations

PANAMANIAN president Eric Delvalle stunned government supporters and opponents alike on Tuesday night, by banning the mass demonstrations both groups had been planning this week amid mounting political tension, writes Peter Ford in Panama City.

In the wake of growing violence against opposition protesters the presidential decree warned of "the imminent danger" that the demonstrations posed.

The opposition "civic crusade" however, was understood to be considering defying the ban, and a trade union federation was also questioning the prohibition.

The government, dominated by military chief Gen Manuel Antonio Noriega, had been planning to rally at least 275,000 people in a massive show of support today.

Opposition political parties and civic groups had announced their own meeting for tomorrow, hoping to gather some 75,000 people.

David Gardner reports on the formidable political power of union barons

Mexican labour sits out the crisis

SINCE the debt crisis broke in 1982, Mexican workers have lost over half their purchasing power; unemployment has more than doubled to around 18 per cent, with a further third of the workforce "underemployed" and the Government has slashed subsidies in staple foods and transport.

But when the Government declared a recent strike by electricians to be "*non-existent*" — an established means of strikebreaking — it could have been passing judgment on union resistance to five years of unparalleled austerity.

Despite the efforts of dissidents to swing the big battalions of labour behind calls for a moratorium on foreign debt and to stir up opposition to the De la *Madrid* government's policies, Mexico has remained virtually strike-free throughout the worst economic crisis for at least half a century.

The key to understanding this lies in the role allocated to the unions within Mexico's corporatist system, created in the 1930s and still largely intact. Organised labour is an organic part of the ruling Institutional Revolutionary Party (PRI), one of the three pillars which sustain the party with the peasantry and the so-called "popular" sector.

At the centre of Mexico's trade union universe, holding court in the granite headquarters of the Confederacion de Trabajadores Mexicanos, Mexico's main union "central", is 87-year-old Mr Fidel Velasques.

Don Fidel for over four decades has been the regime's second most powerful figure. Vigorously anti-Communist, he treads a fine line, domesticating labour but not beyond the point where it would undermine the power of himself and his colleagues.

He has counterparts in the main unions: Mr Carlos Jonguitud, "leader for life" of the 1m teachers, the largest union in Latin America; Mr Joaquin Hernandez Galicia, the notorious "La Quina," de facto leader of Latin America's richest union, the oil workers; and Napoleon Gomez Sada of the steel and mineworkers union, all of whom have held absolute sway in their private fiefdoms for two to three decades.

The De La Madrid Government took office intending to clip the wings of these barons but has backed off, concluding that they are too vital as props to the regime:

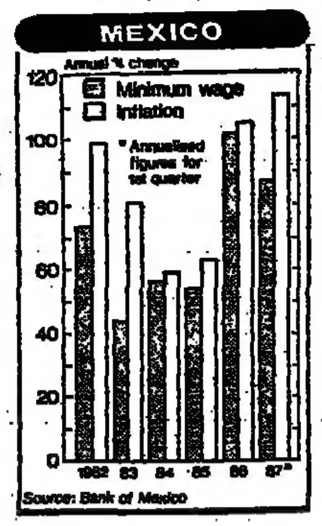
- they serve instead of a formal incomes policy;
- they have patronage at a time when the government wants to devote scarce resources to modernisation, and structural reform;
- unions like Mr Jonquitud's Teachers provide geographical spread the PRI can no longer match;
- they prevent the re-emergence of militant independent unions.

The union can, if required, be ruthless. But this is not how they maintain their power. As a senior official in Pemex, the state oil monopoly remarked, "they relegitimise themselves daily in ways which we cannot see."

The single main source of their power is their control of jobs. Their ability to do so remains relatively unimpared, even though around 1,000 jobs are now being lost daily, mostly in non-unionised small to medium sized industry.

Each dispenses considerable patronage. La Quina, for instance, wields enormous power as secretary of "social works" of his union, which controls an agro-business empire so rich that it induced the Bank of America to lend it $250m and Banobras, a Mexican state development bank, $120m.

His empire can provide housing, cheap food, jobs for relatives, loans, funerals, medical services and even marriage counselling. The regime used the army against the oilworkers in 1940, 1946 and 1959. Thereafter, with La Quina firmly in the saddle, no government has either dared or needed to.



A second important element after patronage is the deliberate policy of atomisation. Less than one-third of the workforce is unionised. Outside Mr Jonguitud's teachers, where iron centralised control of the apparatus is combined with a dispersed regional substructure, the bulk of unionised labour *is* "formed up," as one Cabinet minister puts it, in Don Fidel's CTM.

The CTM dominates the 33-union Congreso de Trabajo, where traditionally militant *unions like the electricians* are kept split in two by the simple expedient of maintaining two state power companies.

But the CTM itself, according to Mr Cesar Zazueta, a leading *student of Mexican labour*, is made up of 8,869 unions averaging 129 people each, making a challenge to the leadership other than by a La Quina virtually impossible. And just in case the CTM gets above itself, the Government keeps alive weaker union "centrals" with which it flirts whenever it feels a readjustment in the balance of power is needed.

The regime also distributes substantial political offices among the unions: the CTM, for instance, *normally* has about a third of Congress, 60 significant town halls, and three of 31 state governments. Even the leader of the rag-and-bone men, who live off Mexico City's megalopolitan rubbish dumps, was made a PRI federal deputy. If the system is working, this means that problems can be resolved before crisis point.

But the regime's tried and traditional way with labour may, like the ageing Don Fidel, be reaching the end of its natural time span. An indispensible anchor in times of austerity, it is a system paradoxically at odds with a technocratic government that has nailed its colours to the mast of "modernisation."

While Mr De la Madrid has worked to open up the economy and lay the groundwork for a return to sustained growth, it is increasingly assumed that the central task of his as yet unrevealed successor is democratisation. The pillar may begin to crumble.

North draws praise and scorn over testimony

Stewart Fleming in Washington on mixed reactions to the Iran inquiry's star witness

LT-COL OLIVER NORTH in his televised testimony before the Congressional inquiry into thet Iran Contra affair had just finishing explaining that "Joshua" and "Samuel" had approved what Col North believed to be a legal method for sending arms shipments to Iran via Israel.

"Joshua," Col North explained, was the code name for President Ronald Reagan. "Samuel" was the name for Mr Caspar Weinberger the Defence Secretary, who had been trying to block the deal in late 1985. The codes were necessary, he pointed out, because "bananas" and "oranges," Israel and the US, were organising the operation on open tlephone lines.

Suddenly on the television screen "Joshua" appeared, waving to well wishers as he headed off to make a diversionary speech about budget policy in Connecticut. The television networks had abandoned their morning soap operas to carry Col North's testimony live. But still desperate for something other than the picture of a sedentary marine *to put* on the screen, they decided that it would not be inappropriate to *carry silent pictures of Mr* Reagan climbing into his helicopter at the White House and a voice-over of Col North's commentary on the Irangate scandal.

The White House has struggled mightily to divert attention from Col North, but at least for the first two days it *has failed. It is an open question* how long a shelf-life as a media star Col North will have, absorbing though the variety of roles he plays

Lt-Col North's performance has stirred up mixed emotions and some confusion.

Those who expected him to play the loyal marine and take the blame have been disappointed. "Assumed the President knew," said the front page *headline in US Today* "Assumed Reagan ok'd diversion," said the conservative Washington Times.

He has found support for at least one of his messages, namely that he was acting under orders from superiors. "Most committee members show every sign, and rightly, of keeping the cameras focused on lawlessness in high places," said the New York Times.

"Colonel North . . . is a supporting actor," said the Baltimore Sun. In the conservative press there was less readiness to defend the President than to attack the Congress.

"If Congress wants less amateurism in covert operations may be it shouldn't write the *CIA out of the game*," said the Wall Street Journal. The right question, said the Washington Times, is "whether America's foreign policy priority should be to make Congress feel important or to defend democracy."

One thing seems assured, however. By pointing to the decision-makers higher up the *White House chain of command* and not falling on his sword, Col North has ensured that the forthcoming appearances of men like former national security adviser John Poindexter, Attorney General Edwin Meese and other top officials in the next three weeks will also attract plenty of attention. That is bad news for Mr Reagan.

OVERSEAS NEWS

Afrikaner liberals start talks with ANC

By Victor Mallett in Dakar

AFTER MONTHS of secret preparations a group of 50 South Africans, most of them liberal white Afrikaners, are entering previously forbidden territory in black Africa for talks today with the African National Congress on the future of their country.

The meeting in the Senegalese capital Dakar is certain to anger the South African Government of President P. W. Botha. He recently won an easy victory in the whites-only general election, but his reluctance to abolish apartheid has earned him increasing left-wing opposition outside parliament, even from members of his own Afrikaner tribe.

ANC leaders at the forefront of the discussions will be moderate black nationalists rather than the communists or hardbitten guerrilla commanders who also play an important part in the movement. Mr Thabo Mbeki, a well-known moderate on the ANC's ruling body, the National Executive Committee, has been named by the ANC as the leader of its delegation, although an appearance by Mr Oliver Tambo, the ANC president, has not been ruled out.

The 50 whites — academics, businessmen, churchmen, artists and politicians—have said that they will not shy away from asking the ANC awkward questions about its commitment to guerrilla warfare, its plans for the South African economy, and its alliance with the pro-Moscow South African Communist Party. Several of whose members are on the ANC executive.

"This is not going to be a nice little soft touch," said Mr Alex Boraine, one of the organisers of the talks.

Discussion papers setting out these concerns have been sent to the ANC in advance. Delegates are expected to meet in small groups after a formal opening ceremony today attended by Sengalese President Abdou Diouf and Mrs Danielle Mitterrand, the wife of the President of France. She and Mr Frederik van Zyl Slabbert, the former leader of South Africa's Progressive Federal Party, worked together to organise the gathering.

Japanese warn Manila over investment

By Richard Gourlay in Manila

VISITING BUSINESSMEN from some of Japan's top industrial companies yesterday said the climate for Japanese investment in the Philippines is improving but that a continuation of a recent spate of grenade attacks and bombings in Manila would deter investors.

Philippines officials have high expectations that Japanese business will help sustain the country's consumer-led economic recovery by increasing their investments. Japanese officials warned against expecting any concrete results too soon.

Mr Kazuo Haruna, Marubeni Corporation chairman and mission leader, said the Japanese community and investors were less concerned now by the kidnapping last November of a senior local executive of *Mitsui* Corporation which shocked investors

In the last month 12 bombs and grenades have exploded in Manila, three since the weekend, prompting President Corazon Aquino to reprimand police and military commanders earlier this week for the lack of arrests.

Japanese investment in the Philippines last year fell to $21m from $61m in 1985. US investment was similarly hit, falling from $158m in 1985 to less than $40m in the first eight months of 1986.

UDF rejects election

THE United Democratic Front, one of South Africa's largest anti-apartheid groups, has rejected suggestions made last week that it would consider participating in the country's 1989 general election.

On Friday Mr Archie Gumede, the UDF's co-president, was quoted as saying the organisation might consider taking part in the election.

- Four people were injured when a bomb exploded in a downtown multi-racial Johannesburg pub shortly before lunch time yesterday. According to police reports the explosion was caused by a limpet mine similar to those exploded near the city's magistrates courts on May 20.

Chris Sherwell visits a Melbourne constituency where the Labor MP is vulnerable

Marginal seats hold the balance for Hawke

MICHAEL Wooldridge is 29, single, with an easy manner and smiling eyes. Until recently, he *was a doctor living in the well*-to-do east Melbourne suburb of Box Hill. Then he was spotted by the opposition Liberal Party and, as he puts it, "recruited."

Now he is standing in his local constituency of Chisholm for Australia's House of Representatives. His opponent in Saturday's election is the incumbent, Mrs Helen Mayer of the ruling Labor Party, and in many ways their battle reflects the larger one unfolding countrywide.

National opinion polls suggest Labor will hold on to its majority (currently 16 seats) over the opposition Liberal and National parties in the 148-seat chamber.

But if the election is going to be decided anywhere, it will be in the marginal seats of Melbourne — and especially in Chisholm, Labor's most narrowly-held seat, which is bounded on three sides by Liberal areas.

It is here, in the endless suburbs of Australia's big cities, that the impact of Mr Hawke's policies to counter the country's chronic balance of *payments problems has been* most painfully felt.

While farmers may have been hurt more, the Government is most vulnerable among small businesses and middle-income families facing high interest rates, increased mortgage payments, high inflation and falling living standards.

Mrs Mayer, as a left-leaning member of the Labor Party, admits that the past four years have been difficult for her as an MP. Traditional concerns have been overtaken by economic reality and she has had to be flexible. "My learning curve has been vertical," she says.

Now 54, she first won the seat in 1983, the year Labor was *returned to power* under Mr Bob Hawke, the Prime Minister. She retained it in 1984 with a reduced majority of under 200 votes. She acknowledges her vulnerability among middle-to-upper income groups. But she has the backing of a professional party machine and incumbency means she has the advantage of being better known.

Dr Wooldridge is so new to the political game that he *needed special party dispensation* to become the Liberal candidate — he had not been a party member for the required period of one year. Experienced "minders" are helping him run his campaign, and he has learned quickly.

"I love medicine, but politics is more important," he says *of* his rapid transition. To win the nomination he had to beat the man who lost in the 1983 and 1984 federal elections and overcome resistance from Liberals who felt he was too young and inexperienced.

"I've got no trouble with the Liberals' spending cuts, or the health policy. And I'm excited by the incentive effects of the tax cuts." Box Hill being commuter territory, he hands out leaflets every morning at the local railway station and tells people he is a candidate who wants to bring new blood to parliament.

Mrs Mayer admits it would be electoral suicide to spell out details of the austerity which she is sure Mr Hawke will continue to impose after returning to office. On the other hand she *is relieved that Labor's campaign* has re-emphasised the party's commitment to care for the needy.

Of the constituency's 100,000 population, Mrs Mayer estimates that there are some 30,000 welfare recipients — pensioners, sole parents and children. Generally, though, the population is not badly off—unemployment is around half the national average of 8.5 per cent.

Demographic changes since 1984 could be crucial. The net increase of 10,000 voters on the roll reflects the emergence of 18-year-olds as voters but also new arrivals, mostly of young couples moving into cheaper apartments built in the Box Hill area in the *late 1970s*.

Chisholm also has a rich ethnic mix, with an established Greek community and a growing Asian (principally Vietnamese) one. Community activities focus on a large number *of different churches*. The area is unique in another respect too —it has no pubs, a legacy from temperance days.

One worry for the two combatants is the "donkey vote"—*up to 1 per cent of voters simply* indicate their preferences as the six candidates appear on the ballot paper.

Mrs Mayer is listed fourth, Dr Wooldridge sixth. Because this preferential voting modifies the first past the post system, votes cast for minor candidates can influence the outcome in marginal constituencies. In Chisholm's case, the donkey vote may be larger than Mrs Mayer's present majority.

Underlining Chisholm's importance, both Mr Hawke and Mr John Howard, the Liberal leader, have visited the constituency to launch aspects of their parties' platforms — in Mr Howard's case, his all-important tax policy.

Neither Dr Wooldridge nor Mrs Mayer is anticipating defeat. The confident Liberal challenger believes he will win even if there is a national swing to Labor. But both know they have a big fight on their hands. On election night, Chisholm will be a focus of attention.

Tribesmen disrupt vote-counting in Papua New Guinea poll

THOUSANDS of tribesmen armed with arrows and spears have disrupted vote-counting in Papua New Guinea's national elections, Reuter reports from Port Moresby.

Election officials fled polling booths carrying ballot boxes and, in some cases, recounting had been ordered to avoid nasty incidents, said Mr Luke Lucas, the Electoral Commissioner.

"The situation is tense. There are too many irate candidates and too many scrutineers," Mr Lucas said after three days of counting since polling closed.

"There are thousands of people massed around the counting centres. My staff are working under extreme threats," *he said*.

"One returning officer told me that he was so scared that he had ordered a recount because he had to live in the district," Mr Lucas said.

In volatile Enga province in the rugged far west of the highlands, tribesmen threw stones and spears when a helicopter carrying election officials landed at a village.

An election official clung desperately to one of the helicopter's skids *as the pilot wrestled the machine* back into the air and made an emergency landing in a field 100 metres away.

Only about half the 109 seats at stake have been officially declared so far. The final outcome remained clouded, with independent candidates winning a large number of *seats*.

Officials said the election, the third since Papua New Guinea gained independence in 1975, appeared to be developing into a battle between Prime Minister Mr Paias Wingti and elder statesman Mr Michael Somare.

Mr Wingti's Peoples Democratic Movement (PDM) has won 10 seats and Mr Somare's Pangu Pati 14 while independents have captured nearly 30.

The *actual* government will not be known until parliament sits in August, when alliances negotiated during the weeks following the elections will be formalised on the floor of the House and MPs vote for a prime minister.

More than 1,500 candidates contested the elections. There are no *major ideological differences* among established parties.

Beirut group 'holding' West German hostages

A GROUP calling itself "The Freedom Strugglers" yesterday claimed to be holding two West Germans kidnapped in January and said Syria and West Germany held the key to their release, Reuter reports from Beirut.

The group, in a statement sent to a Beirut newspaper, said it wanted to swap a videotape of one of the two hostages for a videotape of Mohammed Ali Hamadei, jailed in West Germany on air piracy and murder charges.

West Germans Mr Rudolf Cordes, 55, and Mr Alfred Schmidt, 47, were seized in Moslem west Beirut in January, shortly after Mr Hamadei's arrest in Frankfurt.

"We stress the solution of this case is linked to an active role by Syria and includes an apology by (West) German officials," the statement said.

The statement was accompanied by a photocopy of Cordes' passport.

- Syrian President Hafez al-Assad held talks yesterday with Lebanese Moslem leaders on last month's assassination of Lebanese Prime Minister Rashid Karami, the official Syrian news agency SANA said, Reuter reports from Damascus.

The Lebanese side included acting Prime Minister Selim al-Hoss, *Parliament Speaker Hussein* al-Husseini, Druze leader Walid Jumblatt and Nabih Berri, the Shi'ite Amal militiary head.

SANA said discussions covered the June 1 assassination of Karami, a Moslem, which "has not yet been duly handled as an unusual political crime aimed at undermining Lebanon's unity and carried out by pro-Israeli partitionist agents."

Seoul frees 307 as fears mount over funeral

By Maggie Ford in Seoul

THE SEOUL authorities yesterday released a further 307 political prisoners as concern that today's funeral service for a student killed in a tear gas battle with police last month could provoke a confrontation.

The Government of President Chun Doo Hwan is due to announce today the lifting of a ban on the political activities of Mr Kim Dae Jung, the opposition leader who was sentenced to death for his alleged part in the 1980 rebellion in the city of Kwangju.

Today's funeral rites will be performed at Yonsei University, a key centre of student protest during last month's battles which led to a promise of democratic reforms. After the ceremony the body is to be taken to Kwangju, the home town of the student, where it will be buried in the same cemetery as many of the victims of the uprising.

Police have agreed to allow a march of students and family members after the funeral for a short distance, but have refused a request for a procession in the centre of Seoul. Buses and cars with mourners are to be allowed to drive through the centre at the beginning of the four-hour trip to Kwangju.

News of the killing of a riot policemen, beaten to death for indiscipline by his superior officer, and the hunger strike of another who claimed that the police were against the use of tear gas to stop demonstrations surprised observers. Some of South Korea's conscripted riot police, mostly former students themselves, are understood to have been *unhappy about their* role since their demonstrations began last month.

Hong Kong bomb

Fourteen people were injured in Hong Kong yesterday when a low powered bomb—described by police as "more a fireball than a genuine bomb"—exploded in a crowded shopping centre, **David Dodwell** writes from Hong Kong. This was the second bomb explosion in Hong Kong in less than a month. A similar crude device, using gunpowder, exploded at night two weeks ago in an empty shopping centre. There were then no casualties.

US bank agrees debt-for-export deal with Peru

BY PETER MONTAGNON, WORLD TRADE EDITOR

FIRST Interstate Trading, the countertrade arm of First Interstate Bank of California, has finalised terms of a deal with Peru under which it will market Peruvian exports abroad and use part of the proceeds to cancel the bank's loan exposure to the government of President Alan Garcia.

The debt-for-exports deal is believed to be the first of its kind and should allow First Interstate to cancel some $40m of its $100m exposure to Peru within a period of five years.

Formal approval by Peru of the deal has been delayed by the recent Cabinet reshuffle in Lima but Mr Gustavo Saberbein, the new Peruvian Finance Minister, is understood to back the scheme.

First Interstate Trading is a trading company formed three years ago under the US Export Trading Company Act of 1982. Under the deal, it will sell Peru's non-traditional exports of agricultural and sea-food produce mostly in the US.

For every $2 of export revenue generated the parent bank will be able to retire about $1 of debt, according to Mr Ken Rosenberg, its Vice-President, though this will depend on the precise category of export involved.

First Interstate has been discussing the Peruvian project for some months and it has generated controversy among the country's creditor banks, some of whom feel that First Interstate is gaining privileged access to Peruvian foreign exchange earnings to reduce its exposure.

However, Mr Rosenberg said the scheme will generate additional revenue for Peru, some of which will accrue to the country in cash. Moreover, "no one is preventing other banks from setting up a trading operation and doing the same thing."

One constraint on the volume of business that First Interstate can do in this way is US legislation requiring at least half the business transacted by companies set up under the act to involve exports from the US.

Mr Rosenberg said US bank trading companies are lobbying to have this limit altered. In First Interstate's case, it would permit more of Peru's exports to be marketed both in the US and in other countries.

Even if the $40m target is met, First Interstate would still have an exposure of some $60m to Peru which would remain subject to normal rescheduling agreements.

Mr Rosenberg added that First Interstate would like to apply its scheme to other countries in debt difficulties but has not entered into discussions as it is waiting to see how its Peruvian deal works in practice.

Japanese give big boost to HK tourist industry

BY DAVID DODWELL IN HONG KONG

THE Japanese provided a boost to Hong Kong's tourism industry last year, during which overall earnings rose by 24 per cent. Japan overtook the US as the territory's main source of visitors and, although the Japanese stayed for less time than other visitors, they proved to be the fastest spenders.

According to the territory's tourist association, earnings from tourism jumped from HK$13.9bn in 1985 to HK$17.2bn last year. While the association provided no formal reasons for the surge, the strengthening of currencies in Japan and Western Europe appear to have played an important part.

The surge kept the territory's hotels full in 1986 despite six new hotels being completed, lifting the total number of hotel rooms available by 2,000 to just over 20,000.

Average occupancy rates were 85 per cent, compared with 88 per cent in 1985, with the territory-wide average peaking at 95 per cent in October and November. In February—the quietest month — occupancies averaged 72 per cent.

The hotels growth lifted hotel employment by more than 10 per cent, with over 24,000 being employed in the territory's 57 tourist hotels at the end of the year.

Japanese accounted for 19.5 per cent of the total 3.73m visitors who arrived in Hong Kong last year, for the first time overtaking the US as Hong Kong's main source of visitors. The US accounted for 18.9 per cent of visitors, unchanged from 1985, with Australia in third place (7.4 per cent) and Taiwan overtaking the UK with 5.9 per cent and 5.7 per cent respectively.

Japanese visitors stayed in Hong Kong for less time than any other tourists—an average of 2.7 days—but they remained the fastest-spending. Receipts from Japanese visitors rose by almost 44 per cent, from HK$2.5bn in 1985 to HK$3.6bn last year.

Visitors from Western Europe, boosted spending by 30 per cent to HK$2.26bn. In absolute terms, however, the US remained the most important single source of earnings—up 10 per cent to HK$4.26bn.

NTT and Mitsubishi to set up joint venture

NIPPON Telegraph and Telephone will set up its first US-based joint venture company later this month, to develop and sell integrated circuit technology made from optical fibre, Reuter reports from Tokyo.

Mitsubish Corporation has a 41 per cent stake and the US-based Battelle Memorial Institute, a private research body, 10 per cent.

The optical fibre integrated circuits could be used to cut costs in telephone systems.

NTT estimated that it would take two years to develop a commercially viable circuit, which it expected to sell in the US and Japan.

Mitsubishi would help market any product patented by the joint venture, NTT said.

● Japan will send a deputy foreign minister to a Cocom meeting in Paris next week to face questions on Toshiba's sale of restricted high-technology to the Soviet Union, a Foreign Ministry spokesman said yesterday.

US move to protect injured industries

A DECISION temporarily to protect injured American industries from potentially competitive foreign imports was reached by the Democratic-controlled Senate yesterday, Reuter reports from Washington.

The measure, designed to protect industries that prove they can become competitive, was included as part of a broad foreign trade bill the Senate is expected to approve this month. The bill will force President Reagan to act against unfairly traded imports but is already a target for a presidential veto.

The Senate vote upheld a plan approved by the Senate Finance Committee to severely limit Mr Reagan's power by requiring him to approve up to 10 years of import curbs through higher tariffs or lower quotas if an injured industry is potentially competitive.

Before the Senate foreign trade bill goes to the White House for consideration, it must be reconciled with a very different House trade bill that focused more on retaliation against major foreign exporting countries, like Japan.

The legislation comes as a response to last year's massive US trade deficit of nearly $170bn and the Congressional anger with Mr Reagan's rejection of import relief for a variety of industries including shoes and textiles.

Republican argument before the Senate maintained that Mr Reagan should be allowed to reject import relief, no matter how injured the domestic company, on the grounds that it would harm the overall economy or be likely to result in foreign retaliation against other export industries. The Republican opposition also said that the action would protect weaker industries.

Senate Republican leader Robert Dole of Kansas said Mr Reagan alone should have the power to decide the national interest in trade injury cases.

Under the proposed protective legislation, as in current law, the US International Trade Commission would investigate US industry requests for protection and make recommendations for action to the White House. The only exemption from relief, once an industry proved both injury and the ability to compete, would be a case involving national security.

Elkem awarded engineering orders by China

By Karen Fossli in Oslo

ELKEM, THE Norwegian industrial group, has made a breakthrough in the Chinese market with three contracts, valued at NKr 90m ($9m) to to supply engineering know-how and equipment for China's smelting industry. The deal was won against West German and Japanese competition.

The contracts are due to be completed by 1990 and Elkem, the world's largest producer of ferro-alloys, says it is discussing other calcium carbide and ferro-alloy deals with the Chinese smelting industry.

Elkem says Peking aims to double its steel production capacity by the turn of the century. It estimates that China produces some 1.8m tons of carbide a year, and that the company is well-placed to gain future work.

Diana Smith reports on the promising results of trade liberalisation measures

Portugal cuts red tape to draw investors

AFTER a sluggish 1986, European Community partners have accelerated the flow of investment in industry, tourism, services, commerce and the stock market in Portugal. EC, European Free Trade Area and non-European investors are now pumping money into Portugal, encouraged by liberalisation that abolished much of the red tape that scared off many would-be investors, and by the passion for quick proceedings of Dr Rqauel Ferreira, head of the Foreign Investment Institute—a body created in 1976 to authorise (or reject) and control foreign investors.

The no-nonsense Dr Ferreira has rejected the idea that bureaucrats may not only study foreign investment projects but also alter them at will to protect (what the bureaucracy sees as . . .) Portugal's interests. This attitude discouraged so much investment that Portugal only built up foreign investment stock of Es 113bn ($800m) over more than a generation—small pickings for a country that claimed to be open to foreign investment. New direct investment of Es17bn ($120m) in the first five months of 1987 shows that the turning point has come: the figure is double the Es8.5bn registered in January-May 1986.

Britain, with heavy investment in tourism projects or tourist - related enterprises, leads the list of new direct investment, with a total of Es 5.9bn—more than double its 1986 figure.

Hot on Britain's heels comes Spain. Once one of the most modest foreign investors in Portugal it is now, as an EC partner, the most avid seeker of opportunities with over 300 companies moving into wholesale, services, manufacturing and food processing. Spanish investment grew by a spectacular 500 per cent compared with January-May 1986, to Es 4.6bn ($32m) against Es 900m in 1986.

Many Portuguese are unnerved by this mushroom growth, fearing they will be swamped by their neighbour's aggressive competition and increasingly streamlined manufacturing methods. Innocent of the ways of other European businesses, many Portuguese fear the mini-invasion is due to some Hispanic master plan to acquire Portugal lock, stock and computer terminal, rather than the perception of disparate Spanish businessmen that Portuguese wages are less than half those of Spain, that Portugal offers an extra 10m consumers and that machine parts or soups produced in Portugal get to the market as easily from the west as from the east side of the frontier with Spain.

On the Lisbon stock market Spaniards are joining British institutions in the search for bargains, perceiving the market as a fast-growing if slightly unsophisticated outlet. West German investors are briskly acquiring existing textile or footwear companies and moving into wholesale trade. Their investment has trebled compared with 1986, to Es 1.6bn ($1.5m).

> Hot on Britain's heels comes Spain. Once one of the most modest foreign investors in Portugal it is now, as an EC partner, the most avid seeker of opportunities with over 300 companies moving into wholesale, services, manufacturing and food processing. Spanish investment grew by a spectacular 500 per cent compared with January-May 1986

French, Belgian, Dutch and Italian investment has also grown markedly, particularly Belgian investment, which rose from Es 198m ($1.7m) in January-May 1986 to Es 844m ($6m) this year.

Efta investors are more modest but growing: Austrian investment, non-existent in 1986, totalled Es 6.35m ($45,000) by May, Finnish investment leapt from Es 3m last year to Es 14m, Norwegian investment grew from Es 27m to Es 409m, Swedish investment held firm and Swiss investment dropped slightly.

Outside Europe the US, which put around $30m into Portugal in 1984-85 in the initial capital of three US banks—Manufacturers Hanover Trust, Citibank and Chase Manhattan—was less gung-ho in 1986-87, apparently still unconvinced of the virtues of Portugal as an outlet for medium-sized US enterprises.

The Japanese too have been hard to persuade, moved as they are by the buying power of domestic markets. However, their investment picked up from 1986 to 1987 from Es 73m to Es 108m and the arrival of a Sumitomo Bank representative office, which immediately signed a protocol to promote Japanese investment, may liven up the scene.

Of direct foreign investment this year Es 3.6bn and 256 projects created new companies, Es 10.7bn and 137 projects went into existing companies, and Es 2.36bn and 56 projects were acquisitions. This is three times as much for new companies, over twice as much for existing ones and about the same for acquisitions as 1986.

Of foreign investment, 34.7 per cent was in the range of Es 100m to Es 200m per project, with 24.7 per cent from Es 60m to Es 100m, 18.1 per cent from Es 40m to Es 60m and just under 11 per cent of projects entailed less than Es 20m.

Butter figures and the institute's eagerness to process projects in about a week compared with the months or even years of the past, indicate that foreign investment is becoming a normal fact of Portuguese life, rather than an anomaly to be smothered in red tape and closely watched.

EC cool to US farm plan

BY TIM DICKSON IN BRUSSELS

THE European Community's lukewarm response to this week's dramatic US Administration proposal to sweep away all farm subsidies over the next 10 years was confirmed yesterday.

In their first formal reaction to the plan—submitted on Monday to the group negotiating on agriculture in the General Agreement on Tariffs and Trade (GATT) — Mr Frans Andriessen, the EC's Agriculture Commissioner and his counterpart for external relations Mr Willy de Clercq, emphasised that it "needs careful consideration."

"It appears very ambitious in its objectives. It raises, however, a number of practical ful consideration.

Community officials have clearly been surprised by the scope of the American initiative though while they have indicated that they will present their own ideas for reform of the world agricultural system before the end of the year, they are for the moment sticking to the generally worded declarations made in the OECD and in the communique of the Venice Economic Summit.

Air France confirms deal to buy seven A-340s

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR FRANCE, the French flag airline, confirmed in Paris yesterday that it intends to buy seven of the new Airbus A-340 four-engined long-range airliners, formally launched into full-scale development a few weeks ago.

In addition to the firm contract, Air France has taken an option on four more of the A-340s which would bring the total value of the deal to more than $1bn.

Delivery of the aircraft is due between 1993 and 1995.

Air France said that financing arrangements for the purchase were still under discussion.

Bank warning over 'lax' lending trend

BY DAVID LASCELLES, BANKING EDITOR

BANKS APPEAR to be deluding themselves about the dangers posed to them by the rapid growth in consumer credit in the UK, according to the Bank of England's chief of banking supervision, and they should act with greater prudence.

Mr Brian Quinn said that the Bank had recently conducted a private survey of 30 lending institutions which suggested that banks thought that they were tightening up their lending standards when the evidence pointed to the exact opposite.

Mr Quinn, who was addressing a conference on consumer credit, said the survey had revealed that:

- Some banks had doubled, even trebled, their consumer lending in the last five years;
- Lending criteria were being relaxed, with many banks increasing the amount of unsecured lending, and the amounts they were prepared to lend as a proportion of a purchase price;
- Loan periods were being lengthended.

But Mr Quinn said that in response to a further question about their lending policies, none of the banks said that they had relaxed their stance on consumer lending. Nearly a third of them even claimed to have become more restrictive about their loan terms and their choice of customers.

Mr Quinn said that in the light of these apparently conflicting findings: "It seems reasonable to ask whether lenders are deluding themselves."

Lending institutions were behaving as if the danger that UK households would be unable to service their debts did not exist, particularly in a worsening economic environment. "I cannot take such a relaxed attitude."

Treasury official will be Cabinet Secretary

BY PETER RIDDELL, POLITICAL EDITOR

MR ROBIN BUTLER, a senior Treasury official, will take over at the end of this year as Cabinet Secretary and head of the home Civil Service in succession to Sir Robert Armstrong who is retiring.

The Cabinet Secretary is the Prime Minister's most senior advisor, both on policy and administrative issues, running the secretariat which services the Cabinet and its extensive committee system.

Sir Robert has been unusually publicly prominent, both in handling the Westland crisis before a House of Commons committee and in appearing in the Australian courts late last year as the main witness in the Government's attempt to prevent the publication of the memoirs of Mr Peter Wright, the former MI5 officer.

Mr Butler, 49, has been one of the favourites to succeed Sir Robert ever since he impressed Mrs Margaret Thatcher, Prime Minister, as her principal private secretary from 1982 to 1985.

His appointment, rather than that of the main alternative Sir Clive Whitmore, the permanent secretary at the Ministry of Defence, reflects the Prime Minister's desire to give him a long run, covering at least two more general elections, like his predecessors in the immediate post-war period.

Mr Butler, currently second permanent Secretary at the Treasury responsible for public expenditure, will not take over until the end of the year to allow him to complete work on the current spending review. Sir Robert, who was 60 in March, agreed to stay on until after the general election.

Airports share offer priced at 245p

By Richard Tomkins

A BALLOT among applicants for shares in the offer for sale of BAA, formerly the British Airports Authority, appears a strong possibility after the UK Government's decision to price the issue conservatively.

Mr Paul Channon, Transport Secretary, yesterday confirmed that the offer price would be 245p ($3.97) a share, with 100p payable on application and the balance in May next year.

He also confirmed that the number of people who had asked the BAA share information office for a prospectus was well over 1m, compared with less than 700,000 at the same stage of the Rolls-Royce flotation.

The Rolls-Royce issue was not aimed at the small investor, nor was its share price regarded as cheap, yet it eventually drew more than 2m applications.

BAA is seen as a safer investment than Rolls-Royce and its marketing strategy has been directed more towards the general public. If the stock market remains firm, it therefore seems likely that the number of applicants will be higher.

Only 260m of BAA's 500m shares will be sold in the public offering, so if just 2m people applied for the minimum possible quantity of 150 shares each, the offer would be over-subscribed.

An allocation of less than 150 shares per applicant would probably be regarded as unacceptable, so a ballot would then become probable. This would prove unpopular: it would also be the first time a ballot had been used in a government issue since the Amersham flotation in 1982. (TSB was not technically a privatisation.)

Mr John Matthews of County NatWest, the merchant bank advising the Government, said: "Clearly we hope to avoid a ballot, but if it is the only way of giving people a meaningful allocation, it will have to be considered."

The pricing of BAA's shares won a generally warm response in the City of London yesterday.

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Government and Unionists set for talks on Anglo-Irish pact

BY HUGH CARNEGY

ULSTER UNIONIST leaders yesterday confirmed they were ready to open their first talks with the Government since February last year, but made clear that a successful outcome would have to produce a replacement of the Anglo-Irish agreement which gives Dublin a say in the affairs of the province.

In a cautious response to a report by three of their senior party colleagues urging a return to dialogue without prejudice, Mr James Molyneaux, and the Rev Ian Paisley, said steps had been put in hand to get "probing talks going".

They added: "These are not negotiations but talks to see if the Government is prepared to enter into negotiations to seek an alternative to, and a replacement of, the Anglo-Irish agreement."

The Northern Ireland Office said arrangements were being made for exploratory talks, expected to start next week after the annual Loyalist July 12 celebrations of William of Orange's victory over Catholic James II at the Battle of the Boyne in 1690.

The move to renew talks represents the most important political initiative since discussions broke down at the height of the often violent Unionist protests against the agreement which is reviled by Loyalists for the role it gave Dublin in Northern affairs.

But both sides remain cautious about the big gap that has still to be bridged.

Mr Molyneaux and Mr Paisley said they had to establish whether the Governemnt was willing "to declare that it is prepared to seek a new agreement which will supercede the other."

Such a move by London would represent a significant shift away from its solid commitment to date to the 1985 accord, a commitment shared by the Irish Republic and the Social Democratic and Labour Party, the main Northern nationalist party.

"The ball is now firmly in the Government's court and we are led to believe the response will be helpful," the Unionist leaders said, reflecting their impression of a carefully phrased speech, in the House of Commons on Tuesday by Mr Tom King, the Northern Ireland Secretary, which was described as sensitive by Mr Paisley.

The report urging a return to dialogue admitted that protests against the agreement had failed.

It recommended devolved government as the objective to be sought in talks. If a satisfactory alternative to the agreement was not possible, the Unionists would have to consider an alternative future perhaps through Ulster independence, it concluded.

Mr Paisley and Mr Molyneaux did not mention this in their response, saying they would consider it "in the context of the developing situation."

Miners reject switch to six-day working

BY CHARLES LEADBEATER

THE NATIONAL Union of Mineworkers (NUM) annual conference yesterday voted by more than two-to-one to reject moves to introduce a six-day working week, longer daily shifts and changes to the industry's five-day week agreement to allow six-day production.

The conference voted to hold a ballot on British Coal's proposals to start flexible shifts. However, the vote was widely interpreted as a hollow victory for Mr Arthur Scargill, NUM president.

While Mr Scargill said there was no alternative for the union but to stand and fight, a majority of speakers in the debate said the union should enter negotiations with the corporation with the aim of winning improved working conditions and shorter hours.

The conference, at Rothesay, West Scotland, unanimously supported a motion urging the union to negotiate a new technology agreement with the corporation which could cover flexible working.

British Coal has said that investment in certain coal projects will be halted unless plans for flexible six-day working are agreed.

Many delegates felt that yesterday's vote would not rule out discussion on proposals for flexible shift patterns. It seems likely there will be growing support for a negotiating strategy under which flexible working patterns could be traded for shorter working hours and other improvements in conditions.

Mr Bolton said that refusal to negotiate could lay the conditions for the creation of the first non-union pit in Britain, as the corporation could choose to introduce private contractors to operate at pits.

Mr George Rees, general secretary of the South Wales NUM, said that his area would accept the conference decision, but would also abide by the union's rule book which says the NUM should organise all miners in the industry.

Mr Des Dutfield, the South Wales NUM president, said after the debate that the area would organise miners at the planned £90m drift mine at Margam, where British Coal has asked for six-day production.

Economic committees downgraded

By David Brindle

THE GOVERNMENT plans to continue financial support for only 16 of the present 38 economic development committees, which analyse and recommend action programmes for industrial sectors under the National Economic Development Office (NEDO).

The confidential proposals include abolition of the committees for growth sectors such as information technology and office systems. They would leave engineering industries with only one of their existing seven committees.

The proposals have been drawn up by the Treasury in the wake of the move last week by Mr Nigel Lawson, the Chancellor of the Exchequer, to downgrade the parent National Economic Development Council, which brings together trade union, government and employers' representatives.

Mr Lawson said then that the Government would shortly be publishing plans to streamline the committees or so-called "little Neddies."

Ward case judge urged not to order repayment

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A HIGH COURT judge was urged yesterday not to order former Guinness director Mr Thomas Ward to repay the whole of a £5.2m fee the company alleges was wrongfully paid to him.

Mr Peter Curry, QC, for Mr Ward, told Sir Nicolas Browne-Wilkinson, Vice-Chancellor, that he would need to be firmly convinced that Mr Ward had no defence to Guinness's claim to the money before giving the company immediate judgment for the whole amount.

Mr Ward, he said, had honestly believed he was entitled to take the money for services rendered to Guinness during the take-over of Distillers. Also, Mr Ward was cross-claiming reasonable remuneration for his services.

He should be given an opportunity to contest Guinness's claim at a full trial, Mr Curry argued.

Mr David Oliver QC, for Guinness, said the £5.2m belonged to Guinness and Mr Ward had no arguable defence to its claim for immediate repayment. Guinness did not say it would be hopeless for Mr Ward to pursue a claim for some recompense for his services, only that such a claim could not be set off against the £5.2m.

The judge will give his ruling later.

Mr Ward has spent part of the £5.2m. The balance, about £1.22m, has been frozen by the court and, on the court's instructions, Mr Ward has assigned to his London solicitors a $100,000 (£61,728) loan, a $320,000 investment be made out of the £5.2m and his right to recover $4.7m of it paid in US taxes.

Mr Ward contended that he received the £5.2m under a valid agreement with Mr Ernest Saunders, Guinness's former chairman. He denied that, in breach of the company's articles, his interest in the payment was not disclosed to the Guinness board, claiming that it had been known to a board committee, consisting of himself, Mr Saunders and Mr Olivier Roux, then finance director, to which authority had been delegated by the full board.

Guinness denied that there had been any agreement and said that only disclosure to the full board would have satisfied the articles.

During the closing stages of the hearing yesterday, Mr Curry denied that Mr Ward had said the payment had not been disclosed to the board.

The judge said he had thought it implicit in Mr Ward's defence that he was admitting that there had been no disclosure to the full board, as distinct from the committee of three.

"It is a rather remarkable turn around," Sir Nicolas commented, adding: "We are getting close to playing games."

ANZ Bank to shed 250 staff in London

By David Lascelles, Banking Editor

The Australia and New Zealand Banking Group is to shed about 250 staff—about a fifth of its workforce—from its London operations as part of a cost-cutting exercise.

Mr Will Bailey, the group's chief executive, on a visit to London, said the job losses were part of a rationalisation of ANZ's presence in the city.

ANZ acquired Grindlay's Bank three years ago, but he said the group was now poised to develop its business. "We know where the real value is now," he said. "This is the final stage before we really move forward."

He said ANZ would be seeking to develop its conventional banking business, but also aimed to build up a global stockbroking service, including Capel-Cure Myers, the broking firm it bought last year. Private banking also offered interesting opportunities, he said.

Study calls for coal privatisation 'next year'

BY MAURICE SAMUELSON

A BLUEPRINT by the Centre for Policy Studies for privatising the coal industry says the Government should sell off British Coal next year rather than wait until it is making a profit.

The plan, published today by the centre, a Conservative think-tank, is the latest of several policy proposals to have appeared over the past two or three years for privatising the "crown jewel" of the country's remaining state-owned utilities.

Its adoption would contradict the pre-election assurance by Mr Peter Walker, the former Energy Secretary, that there were no plans to privatise coal in the next five years.

The plan's authors, Mr Allen Sykes, a managing director of Consolidated Goldfields, and Professor Colin Robinson, of Surrey University, want coal to be sold off quickly so as to reduce the power of monopolistic forces in the industry. Those, they say, consist of British Coal's production monopoly and the mining unions' power to bring pressure to bear on the sole producer.

The sale, they make clear, would not be a repeat of the popular disposal of British Gas or British Telecom, raising huge proceeds for the Treasury. The main purpose of selling off the coal industry would be to achieve lower energy prices and enhanced security of supply for consumers. It would benefit the workforce by providing more decentralised, less politicised bargaining over pay and other conditions of employment, while ensuring better-paid and more secure jobs.

The plan is put in a 70-page proposal entitled Privatise Coal. It envisages the industry's being sold in nine units rather than as a single entity, corresponding to British Coal's administrative regions. The asset value of the areas would be enhanced by attaching to them the profitable open-cast workings, most of which are centrally run by British Coal's Opencast Executive.

The purchasers would be international mining houses, some of the leading oil companies which have coal subsidiaries and possibly big US and Australian coal companies.

The authors see early coal privatisation as an essential corollary to the Government's planned sale of the electricity supply industry, to which British Coal sells 75 per cent of its output.

While acknowledging British Coal's rapidly improving efficiency in the last two years, the plan's authors maintain that it is an unnatural monopoly and that unless it is made fully competitive, both domestically and with imported coal, it will never achieve its full potential but will continue to lose its share of the energy market.

Under the proposals, some 75,000 more jobs would be shed over the next five years besides the 50,000 that the authors say will in any case have to go. They argue that a privatised industry's greater competiveness would lead to a stabilisation and upturn in its job prospects.

They foresee a five-year period for transfering the industry to the private sector, which should be carried out in three stages. The second two stages would require repeal of the 1946 Coal Nationalisation Act. The stages are:

- The preparatory stage during which a scheme would be formulated.
- A second stage (overlapping with the first) in which the small private coal sector would be liberalised.
- Full privatisation with the sale of Brtish Coal assets to the private sector.

On the issue of timing, the authors say it would be a serious mistake to put off privatisation until the industry is back in profit. That argument would be relevant only if there were a case for privatising it whole.

Another reason for not delaying was that "a long period of uncertainty would be very hard on British Coal's existing management and workers".

To facilitate further streamlining of the workforce, they urge the Government to reintroduce the redundant mineworkers payments scheme, which was cancelled in March.

Privatised Coal. Centre for Policy Studies, 8 Wilfred Street, London SW1E 6PL. £4.90 plus 30p postage and package.

BBC fights radio share out

By Raymond Snoddy

THE BBC is reluctant to surrender more than one of its radio frequencies under government plans for the future of radio.

A green paper published in February said the BBC should keep its national network frequencies but that two frequencies could be made available for new national commercial service by ending simulcasting.

Simulcasting is when the BBC transmits services on more than one frequency to get the best reception and coverage or when the broadcasting output is split to provide education, sport or parliamentary coverage in addition to normal programmes.

In its evidence to the Home Office, published yesterday, the BBC says the only frequencies it could consider surrendering would be those now transmitting Radio Three programmes on medium wave.

Mr Brian Wenham, managing director of BBC Radio, said yesterday: "I am aware that even this change is likely to cause inconvenience but I believe that the Radio Three listener is the listener best equipped to derive full benefit from the higher-quality sound offered by VHF."

The BBC gave a general welcome to the Government's radio green paper but warned against sudden and disruptive change.

ITV groups fail to agree on independents' air time

BY RAYMOND SNODDY

TALKS BETWEEN independent television producers and the 15 ITV companies over access to the airways have reached a serious impasse. Both sides made clear at a meeting yesterday chaired by the Independent Broadcasting Authority that there were substantial areas of disagreement.

The talks to reach a voluntary agreement have been held because of a government decision that independent producers should be given access to 25 per cent of the air time on the four national television channels.

If implemented, it would be one of the most fundamental changes for a decade in the television industry.

The IBA said this year that it wanted to see independents given about 500 hours of programmes a year within two years as a first step towards meeting the 25 per cent target.

Since then, discussions have focused on terms of trade to govern relations between independent production companies and both the ITV companies and the BBC.

At yesterday's IBA meeting, the unresolved issues included:

- Whether independants should get fixed production fees — essentially profit — on programmes commissioned;
- Whether independents should keep the overseas distribution rights to programmes they make for UK broadcasters;
- Whether independents should have an equity stake in programme distribution companies;
- The definition of what an independent producer actually is.

The independent sector wants to get agreement on all those issues before it is prepared to sign a deal, because it fears that unless comprehensive terms of trade are agreed they may be picked off by the more powerful ITV companies, one at a time.

In particular, they fear that if ITV companies are given the right to hold a 20 to 25 per cent stake in an "independent" and the director of the board, as they are seeking, that will give ITV bosses effective control.

The ITV companies are equally determined not to agree to such a package during their existing contract, which runs to the end of 1989. The 15 companies want to be able to negotiate with individual independents on such matters as distribution arrangements and the amount of production fees.

The IBA, which is trying to reach a comprehensive agreement by the end of this month, is now trying to draw up a document that both sides could sign. At the moment, that looks increasingly unlikely.

Faster progress is being made between the independents and the BBC. Mr Michael Grade, director of programmes at BBC Television, is expected to announce a £4m package of independent production next month.

Manx bank earns £1.8m pre-tax

By Our Financial Staff

CELTIC BANK, which claims to be the Isle of Man's largest privately owned bank, earned pre-tax profits of £1.8m in the year ending March 31 compared with £1.2m in the previous year.

Mr Richard Danielson, managing director, said all areas of activity, including banking, loans, offshore comppanies and trusts and provision of safe deposit facilities were progressing well.

Tractor sales fall as tax breaks are phased out

BY NICK GARNETT

TRACTOR registrations in the first six months of this year were 12.2 per cent down on the corresponding period last year, according to the Agricultural Engineers Association.

The association said yesterday that the underlying trend of falling sales would not be as pronounced for the full year and would probably show a drop of about 3 per cent to 5 per cent.

Tractor sales last year were the lowest on record at 18,830 after several years of decline.

On the basis of six months' sales, comparisons with the whole of 1986 are difficult because of distortions caused by the final phasing-out of capital allowances last year.

The farmers' buying pattern this year has reverted to that based on farming needs rather than on tax advantages. Sales in April were 40 per cent lower than the same month last year, while in May and June they were 30 per cent up. Sales in the second half of the year are expected to be higher than in that of 1986.

Mr Chris Evans, the association's economist, said there was a slim possibility that total sales for the year might equal those of 1986, as a result.

The UK is not alone in registering another decline in agricultural tractor sales. The West German market is down by 5 per cent and that in France by 2 per cent.

Sales in the UK this year show some marked regional differences. The south-east and eastern region were the only two to register greater sales so far this year than last. Mr Evans said that reflected the reasonably good cash flows from arable farming.

Largest falls in sales were in Northern Ireland, Yorkshire and Lancashire, the north-east and Cumbria and Scotland. That might reflect the continuing unease of hill farmers and especially milk producers.

Among tractor makers, Case IH was market leader in the first three months but figures to be released soon are expected to show that Ford has regained first place.

UK TRACTOR REGISTRATIONS

HP Range	Jan-June 1986 % sareh	Jan-June 1987 % share
0- 50	9.9	10.9
51- 60	4.5	5.2
61- 70	8.9	9.2
71- 80	20.9	18.6
81- 90	25.2	24.3
91-100	22.0	23.5
101-120	4.3	4.2
121-140	2.1	2.4
140+	2.1	1.8

Source: Agricultural Engineers' Association

Mersey docks company chief quits

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MERSEY DOCKS and Harbour Company is to lose Mr James Fitzpatrick, its chairman, after a series of boardroom clashes.

Mr Fitzpatrick, who as chief executive as mainly responsible for restoring the company to profit, will leave at the end of the month. His replacement will be Mr Bill Slater, deputy chairman, who is a non-executive director of Trafalgar House and a former managing director of Cunard Steamship.

Mr Fitzpatrick, 57, who is also chairman of Liverpool Health Authority, said yesterday that he would now have time to take up other posts.

The difficulty in the boardroom has been his presence as a former chief executive with intimate knowledge of the company's history and day-to-day operations.

Although the post was part-time, the management, headed by Mr Trevor Furlong, felt it was struggling to get out of his shadow.

A clash came over a management decision to site the world's biggest metal shearer and its associated scrapyard at the mouth of the Mersey, next to Crosby Marine Park. Mr Fitzpatrick was dismayed at having to defend the decision.

A massive protest, supported by all political parties, led to a public inquiry and victory last week for local residents. The scrap metal company is likely to leave the port altogether.

Mr Slater will have Mr P. J. Butler, senior partner with Peat Marwick, and Mr J. D. A. Abell of Suter, as deputy chairmen.

As a professional manager, Mr Fitzpatrick's appointment as chairman in 1984 was a milestone. He gave up a career as a solicitor to take a tough wharfside job as a line manager.

He developed a rapport with the Merseyside dock unions and eventually transformed labour relations in the port. He was later promoted to chief executive.

MERGER AND ACQUISITION ACCOUNTING

CBI queries basis for mergers

BY NICK BUNKER

SOME COMPLEX history—coupled with public concern over the takeover boom of the mid-1980s — lies behind the Confederation of British Industry's determined effort to stimulate debate over the role that accounting techniques play in mergers and acquisitions.

A "laissez-faire" atmosphere in accounting may have encouraged the high level of merger activity of the last few years, the CBI suggests in a discussion paper published today.

Of the 45 questions posed in the paper, one stands out most clearly: "Are there undesirable economic implications arising from the present system of accounting?"

The key suggestion from the paper is that a lax accounting regime has allowed companies to hide the full costs of their acquisitions — so that some mergers and takeovers "may have taken place for the wrong reasons."

If so, then one root of the problem may lie in what CBI officials feel was 15 years of fuzzy thinking. The ambiguities go back to 1971, when the Accounting Standards Committee published an exposure draft on merger accounting.

It was responding to the appearance in the UK in the 1960s of North American methods for recording business combinations. Significantly, that was also the era of the mega-mergers which created Cadbury Schweppes and British Leyland.

Historically, the 1948 Companies Act assumed that company accounts would record a business combination by straightforward "acquisition accounting"—which focuses on the cost to one enterprise of buying another.

But "merger accounting," an alternative method of financial reporting, had a number of attractions—for instance, there was no goodwill to be written off, and a merger even late in the financial year could transform reported profits for the whole year.

The 1971 draft defined a merger in four ways: there had to be a "size test" (since if one company was much bigger than the other the combination must be a takeover), and there had to be willing shareholders and genuine continuation of trades and of ownership.

Unfortunately—according to the CBI paper—the 1971 draft never became a Statement of Standard Accounting Practice (SSAP). That was largely because of doubts over the legality of merger accounting, culminating in a 1980 court case (Shearer v Bercain) that effectively forbade it.

The 1985 Companies Act now allows "merger relief," meaning relief from the need to set up a share premium account where at least 90 per cent of a company is acquired for consideration which includes the issue of shares by the acquirer.

The ASC then produced SSAP 22 and 23, which said that either merger or acquisition accounting could be used, provided certain criteria were satisfied. However, the CBI has suggested that these two standards incorporated very liberal standards.

For instance, the original ASC "size test" was lost, and SSAP 23 also failed to incorporate the 1971 test that a merger must include genuine continuity of interests.

Instead, its main emphasis was to allow merger relief if a significant amount of resources had not left the group. "This is not restrictive and it allows merger accounting to be used for business combinations which are in substance acquisitions," the CBI discussion paper says.

The nub of the CBI team's argument is that "present legislation and SSAPs relating to mergers and acquisitions allow a wide choice of method. A company can choose the method which enables the profit trend of the company to fit management aims."

For instance, a company can produce the steepest rise in profits and earnings per share after a takeover by using acquisition accounting coupled with merger relief. "The distortion of profits can lead to a distortion in the market place," the CBI paper says.

Merger and Acquisition Accounting. CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU.

Minister outlines 'incentives' to raise arts funds

BY ANTONY THORNCROFT

MR RICHARD LUCE, Minister for the Arts, mapped out a future for the arts in the UK over the next five years in a speech in Newcastle yesterday to the Council of Regional Arts Associations.

His main proposal is a "strategy of incentives" that will affect the pattern of arts funding.

"The purpose will be to set aside sums of taxpayers' money which can be used as an incentive to improve management and professionalism and, above all, private-sector fund-raising. I want to endeavour, for each pound of taxpayers' money, to generate two, three, five, even ten pounds from other sources."

The minister committed the Government to maintaining present levels of subsidy but, in real terms, that will mean a cut in funding. To grow, arts organisations will have to raise their box-office revenue, cut costs, and increase private and public sponsorship.

Mr Luce also launched a savage attack on attitudes in the arts. "There are still too many in the arts world who are yet to be weaned from the welfare state mentality," he said.

In effect, Mr Luce is using the Government's election mandate, and his own confirmation as Arts Minister, to educate the arts lobby towards a future when regular increases in subsidy, or any subsidy at all, can no longer be taken for granted and where only those arts organisations that can build up popular support can expect to survive.

It is not clear how the idea of rewarding those who are best at marketing themselves will work in practice. Government subsidy for the performing arts is channelled through the Arts Council, which has complete control over how it distributes the taxpayers' money.

However, the Arts Council is very much in tune with the minister's thinking. In its "glory of the garden" strategy of increasing funding in the regions and in its efforts to make good the arts spending of the abolished GLC and metropolitan councils, the Arts Council proposed "challenge funding," whereby it matched money raised by local councils or arts organisations.

Most leading arts organisations reacted with dismay to the minister's speech. The Royal Opera House, Covent Garden, which received £13m in subsidy in the current year, said: "We were the first into raising money from sponsors, and now get £2.5m a year from our own efforts. But we are finding it very difficult to bring in any more than this."

Editorial comment, Page 22

MacGregor proposed as Gas director

BY MAURICE SAMUELSON

SIR IAN MACGREGOR, former chairman of British Coal, is to be nominated as a director of the British Gas Corporation where, it is claimed, he is needed to protect industrial consumers from being overcharged.

The suggestion has come from Sheffield Forgemasters, a private steel manufacturer with a turnover of £97m a year, which is canvassing support for the nomination from other leading gas users. Sheffield Forgemasters is one of several gas-using companies and trade associations that have complained to the Office of Fair Trading about British Gas's pricing policy.

British Gas last night refused to comment on the position of Sir Ian, who is said to have let his name go forward to the British Gas Board after an approach by Mr Tom Kenny, Sheffield Forgemasters' chairman.

Mr Philip Wright, the company's managing director, indicated yesterday that he would nominate Sir Ian formally on August 27 when British Gas holds its first annual meeting since privatisation.

He is also seeking a meeting with Mr Cecil Parkinson, the Energy Secretary, to discuss what he calls British Gas's "ostrich" marketing policy.

Recalling that on June 17 British Gas had announced lower prices for domestic customers, Mr Wright said: "On the same day we were negotiating the price per therm we would pay for the next quarter. We simply could not believe our ears when British Gas representatives suggested that the price for gas for contracted users should rise in line with the increase for competitive fuels, especially as industrial customers buy 30 per cent of British Gas output."

Support for Mr. Wright's initiative was voiced by Mr Ian Blakey, spokesman for nine leading energy-consuming industries, including steel, chemicals and paper, that have jointly complained about gas prices to the Monopolies and Mergers Commission and to the European Community.

British Gas also declined to comment on Mr Blakey's suggestion that its prices lacked transparency and "read like a table of random numbers."

Mr Blakey, who is also director of the British Independent Steel Producers' Association, accused British Gas sales personnel of being "completely rigid" and failing to listen to their industrial customers.

National centre to seek cash reward from science

BY ALAN CANE

AN INITIATIVE to help to turn outstanding UK scientific developments into commercially competitive products is being mounted by a group of industrial companies, financial institutions and government departments.

Sir Francis Tombs, chairman of the Advisory Board for Applied Research and Development (Acard) said yesterday that £5m had been raised to fund a national centre to identify scientific developments with commercial potential.

More than 15 industrial companies and financial institutions had subscribed £4m towards the cost of the Centre for Exploitable Areas of Science and Technology.

The Department of Trade and Industry, the Department of Education and Science and Acard itself put up the remaining £1m. The funding will last for the centre's first five years.

The centre will:

- Monitor scientific research and development and developments in world markets;
- Decide what holds promise of commercial exploitation;
- Find better ways of linking scientists, manufacturers and commerce so that ideas are translated into saleable goods and services;
- Encourages industry and investors to keep scientists and investors in touch with the needs of the market and commercial opportunities.

Move to help Mercury bid for European phone calls

By Terry Dodsworth

THE GOVERNMENT has come to the support of Mercury, the UK telecommunications company set up in competition to British Telecom, to help it to gain access to revenues from the lucrative international telephone traffic to and from Europe.

The Government's intervention, in the form of a letter from Mr John Butcher, a junior trade and industry minister, to his counterparts in Europe, might be a vital factor in helping Mercury to break into profitability by the end of this year.

According to Mr Gordon Owen, managing director of Mercury, the company would now be running at a profit on a month-by-month basis if it could achieve the full financial return on call it is already generating to the Continent. "If we were able to reach agreement with these foreign operators, we would be in profit by August," he said.

Without an agreement with the appropriate overseas telecommunications operating companies, Mercury receives only a minimal return on the international traffic it generates. Because it has no contract for its calls to be accepted by European carriers, it has to hand that traffic on to BT, thus receiving only the revenues for the local calls into the BT network.

In addition, it receives no revenue for return calls from continental countries. Under the conventions governing international telecommunications, it would normally be credited with reciprocal revenue from overseas carriers on the basis of the amount of traffic it was creating in the UK.

Mercury has already established reciprocal international arrangements with telephone company operators in the US, Canada, Australia and Singapore, as well as the former British overseas territories where the telecommunications are still run by Cable and Wireless, its parent company.

It says, however, that European telecommunications groups have failed to respond to repeated requests for normal treatment as an authorised operator, with the effect that BT is the main beneficiary from the traffic it generates.

Mr Owen, who will visit a number of European telephone operating companies, refuses to put a figure on the potential value of connections to European networks.

BT urged to be more responsive, Page 8

Move to end Ulster electricity monopoly

By Maurice Samuelson

PRIVATE POWER generation in Northern Ireland has come a stage closer with the clearance by the Commons of a draft Order in Council ending the monopoly of the publicly-owned Northern Ireland Electricity Service.

The order, which goes to the Lords next Thursday, might pave the way for a £500m private power station fuelled by cheap local lignite.

After NIE complaints, a clause was dropped empowering the Government to force the service to buy privately-generated electricity. However, NIE lawyers believe ministers will still have that power.

Mr Peter Viggars, Northern Ireland Minister for Economic Development, said the legislation brought Ulster into line with the rest of the UK, where private generation was facilitated by the 1983 Energy Act.

- Government officials last night were unable to comment on a magazine report that plans to privatise the South of Scotland Electricity Board ahead of the industry in England and Wales were abandoned for fear of political repercussions.

Alan Pike finds the 10-year drive for ethnic equality has made little progress

Gloomy view on a decade of race relations

LAST YEAR was one "in which many of the symptoms of bad race relations remained to be confronted. Racial attacks against whole families as well as individuals were prevalent. Soo too was discrimination in its most direct from — the straightforward failure to employ or offer services to ethnic minority citizens on equal terms with others."

In that depressing language, the Commission for Racial Equality, in its annual report published yesterday, comments not only on 1986 but on a decade.

It is 10 years since the Race Relations Act came into force, and the commission's 10th report still talks of a persistently high level of racial discrimination.

In his introduction, Mr Peter Newsam, the chairman, said that while measures to develop and promote better race relations had been introduced during those years, "the process of change must be accelerated if good race relations are to be achieved in this country within the immediate future."

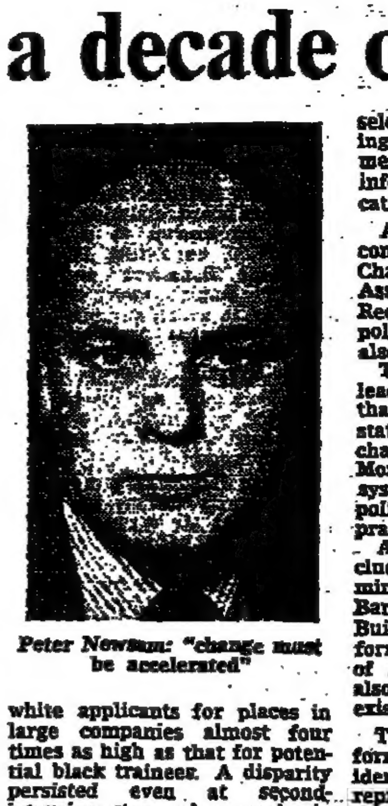
The commission was set up under the Race Relations Act to work towards eliminating discrimination and promoting equality of opportunity and good race relations. It also has a responsibility for keeping the act under review and submitting to the Home Secretary any proposals for amendments it considers needed.

In 1985, the commission did present the Government with proposals for a series of quite significant changes which it says are required to strengthen the general enforcement provisions of the legislation. It wants:

- The commission's scope to conduct formal investigations to be widened;
- A special discrimination division set up within the industrial tribunal system;
- A more workable, less technical definition of indirect racial discrimination;
- Wider powers for the commission to issue codes of practice, which are at present restricted to the employment field;
- Government approval for the introduction of ethnic monitoring and record-keeping in employment and the provision of public services.

The commission is still awaiting the Government's formal response to its 1985 proposals. Meanwhile, it has redirected its own activities over the past year to give less emphasis to investigating the causes of racial discrimination and aim more at remedial action.

It is concentrating its formal investigations in areas where it says "there is a real prospect of effecting change quickly." Examples include investigations into employment in new shopping centres and recruitment to chartered accountancy training.



Peter Newsam: "change must be accelerated"

The recently completed accountancy investigation discovered a success rate among white applicants for places in large companies almost four times as high as that for potential black trainees. A disparity persisted even at second-interview stage when academic qualifications could not be a factor in explaining the difference.

Encouraged by what it describes as a "high level of understanding and a positive attitude" from the accountancy profession, the commission has produced three recommendations. These are: That the profession should improve its selection and interview training; develop better assessment methods; and use ethnic origin information to monitor applications and pick up disparities.

A conference involving the commission, the Institute of Chartered Accountants, the Association of Graduate Recruiters and university and polytechnic career advisers is also planned.

The commission says few leading employers now argue that an equal opportunities statement alone is sufficient to change entrenched practices. More companies are developing systems to make sure their policy statements are put into practice.

A number of companies — including BP, National Westminster Bank, Midland Bank, Barclays Bank and the Halifax Building Society — collect information on the ethnic origins of job applicants, while some also gather such information on existing employees.

The commission says such information can be used to identify and remedy under-representation of particular racial groups. A monitoring exercise at Ford Motor's Dagenham plant early last year discovered that black applicants had been disproportionately rejected for 40 new jobs.

The company responded by giving special interview training and including more black foremen on interview panels. When another 2,000 employees were recruited in the summer, the number of successful black candidates closely resembled their proportion as applicants.

Most progress towards the development of positive equal opportunities policies, the commisison says, has been made in banking and insurance, building societies, parts of the food and catering industry, retailing and most of the multinational oil companies.

Least progress has taken place in the traditional manufacturing sectors where employers "do not see any immediate commercial justification for equal opportunities."

Evidence collected by the commission leaves little ground for assuming that the problems of racial inequality will solve themselves if they are simply ignored and given time.

A survey of local education authorities and teacher training institutions, for example, showed that fewer than 2 per cent of teachers come from ethnic minorities, with numbers particularly low in the younger age groups.

Rather than feeding the assumption that the passage of time is bound to produce more black teachers, the research points to an ageing group of teachers from ethnic minorities and a declining pool of students.

The commission says it is concerned that unless that trend is reversed, there will eventually be no black teachers in Britain's classrooms.

Reform vital, says local authorities' chief

BY RICHARD EVANS

THE SURVIVAL of local government was threatened unless councils conquered their "almost automatic resistance" to reform, Mr Michael Rush, president of the Society of Local Authority Chief Executives, said yesterday.

His views were underlined at the same local authority conference in Nottingham by Mr Howard Davies, newly appointed controller of the Audit Commission, who argued that the Government's wide-ranging legislative plans would mean big changes for local authorities that had to be thought through if chaos were to be averted.

Mr Rush said that if councils did not become more responsive to their local communities, they would face increasing moves by the Government to strip away their key functions, such as running schools. He also urged them not to fight "a lost cause" by opposing government plans to make councils put more services out to private tender.

Plans to allow council tenants to opt out of local authority housing control should also be accepted, in his view, but he warned that the Government's drive on the inner cities was being conducted in a deliberate attempt to cut out local authorities.

His theme was that councils would achieve nothing by confrontation and he urged local authorities to lobby the Government before legislation was passed and to work constructively with ministers once legislation was in place.

There were six main areas in which the traditional structures of local government were under threat: they were privatisation and contracting out; education; housing; inner city development; social services; and the rating system.

"The timing of all this remains unclear. What concerns me is that if we all hold our breath, we may eventually drown. There will be a temptation, faced with all the uncertainty, to shelve any plans for rationalisation . . . authorities must actively manage their way through this period of uncertainty if they wish to come out of it on the other side."

He suggested that making certain assumptions about the Government's legislative proposals, local authority spending in England could fall over five years from the present £30bn to £20.9bn — a drop of over 30 per cent.

QE2 to dock in Southampton for repairs

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE QE2 is to go into dry dock in Southampton today for repairs to equipment fitted during an £80m refit in West Germany.

Trafalgar House, which operates the Cunard Line flagship, said the QE2 would arrive early from New York and go immediately to the King George V dry dock, run by Thew Engineering.

Engineers will remove wheel hubs from the ship's propellors and weld caps in their place, replacing experimental vanes manufactured by Lips of The Netherlands and fitted by Lloyd Werft in Bremerhaven.

The vanes were expected to produce fuel savings of about 4 per cent but sheared off during the ship's first voyage after the refit.

The ship will be worked on throughout tonight and is expected to leave for a return trip to New York at about 8.30 pm tomorrow.

Cunard has cancelled a call at Cherbourg and plans to fly 400 passengers to the UK to join the ship at Southampton. Some passengers will lose a day at sea, but no refunds are planned.

The QE2 has not been refitted in a British yard since 1982, when hurried modifications were made for use as a troopship during the Falklands conflict.

The King George V dry dock is the largest in the UK and the only one that could accommodate the QE2. The dock was operated by Vosper Shiprepairers until February, when the company went into receivership.

- Lawyers acting for most of the passengers on the Herald of Free Enterprise ferry, which capsized off Zeebrugge four months ago, yesterday announced a compensation deal with Peninsular and Oriental Steam Navigation, which owned the ship.

It provides a framework for claims by the 350 survivors of the disaster as well as the relatives of the 193 passengers and crew believed to have died. It includes fixed payments for survivors and bereaved.

P & O had already agreed to raise the ceiling for claims from the statutory £38,173 to £80,000 and has made a number of ex-gratia hardship payments which will not affect compensation settlements.

The compensation deal follows lengthy discussions between P & O and a steering committee of lawyers representing about 300 claimants. The deal will be offered to all claimants, however.

Submarine detection gear worth £17m to be ordered

BY LYNTON McLAIN

THE Ministry of Defence is to order airborne submarine detection equipment from CAE Electronics of Canada in a contract worth £17m subject to final negotiation.

About half the value will be for subcontract work by Normalair Garrett, a member of the Westland group, at Yeovil, Somerset, over the five years of the production programme.

No UK company makes the magnetic anomaly submarine detectors to the standards required by the department for detecting the new generation of almost silent, deep-diving Soviet submarines. The Canadian equipment is 10 times as sensitive at detecting submarines as existing equipment.

The ministry said yesterday: "All proposals in the competition for the contract offered solutions based on equipment already developed overseas and involved partnership with British companies."

Lord Trefgarne, minister of state for defence procurement, said the order was "open to question as to whether UK companies would be sensible to go in for this only to meet a UK requirement. There is no question of cranking something into life especially for this contract."

The system is to equip the Royal Navy's Lynx and Sea King anti-submarine helicopters

Trident maintenance base on Clyde to cost £100m

BY LYNTON McLAIN

THE GO-AHEAD for the first maintenance base for the UK Trident nuclear ballistic missile submarine programme, to be built at a cost of £100m, is to be announced by the Government today.

It will be at Faslane, on the Clyde near Glasgow, where the Royal Navy Polaris nuclear missile submarines are serviced.

The go ahead for the maintenance base for routine operational servicing marks a further stage in the process of procuring Trident as the UK's next independent nuclear deterrent.

The hull of the first Trident submarine is under construction at the Barrow-in-Furness shipyard of VSEL, formerly Vickers Shipbuilding and Engineering, where work started last September.

It was hoped that the order for the second Trident submarine would be announced shortly, VSEL said last night. The announcement could come later this month.

The Royal Navy's four Polaris nuclear missile submarines are refitted at Rosyth dockyard on the Forth estuary and it is expected that the Trident submarines will also undergo their major refits, as distinct from routine servicing, at Rosyth, where extra facilities are likely to be required.

Vauxhall wins 20,000 car order

By Kenneth Gooding, Motor Industry Correspondent

VAUXHALL, the General Motors subsidiary, has won an order for 20,000 cars for delivery over two years from Thorn EMI, the electronics group, in what is claimed to be the largest single order placed for cars.

The order includes more than 10,000 Astra cars and some Bedford Astravans, which are assembled at Ellesmere Port on Merseyside; about 6,500 Cavalier models, produced at Luton in Bedfordshire and 2,500 imported Carlton and Nova models.

The cars have a showroom value of £160m, but that bears little resemblance to what Thorn EMI will actually pay.

By winning the deal in the face of competition from all the other leading UK-based companies, including Ford, Austin Rover and Peugeot, Vauxhall will be able to keep production high in the UK after the August sales boom. That is because deliveries to Thorn EMI start in October.

The order stems from a change in policy by Thorn EMI, which previously offered its company car drivers models from all the UK producers. From now on most of its drivers will use Vauxhall cars.

Vauxhall was chosen after a careful evaluation of the "whole life" costs of competing model ranges, including such aspects as depreciation and running costs as well as initial price, Thorn EMI said.

The company will in future change its cars every 11 months instead of every three years or 45,000 miles as was the previous policy.

It claimed it would save "several millions of pounds" each year by buying from one manufacturer and through the virtual elimination of maintenance costs and the realisation of higher residual values from cars being sold within one year.

Unipart profit shows recovery ahead of target

By Kenneth Gooding

NET PROFIT of UGC, the Unipart car components business, recovered sharply last year to £11.5m from £4.9m.

That was ahead of the £11m forecast in January when the company, formerly part of the state-owned Rover Group, was returned to the private sector.

Mr John Neill, chief executive, yesterday forecast continued good results in 1987.

UGC's profit fell from £8.7m in 1984 to £4.9m the following year because of exceptional redundancy payments of £4.7m. Profitability was also affected by difficulties at the Edmunds Walker distribution company acquired for £15m in August 1984.

Mr Neill indicated that Edmunds Walker was recovering and further progress was expected.

Unaudited preliminary results for the year to December 31 show UGC's turnover, adjusted as if its contract with Austin Rover, Rover's car subsidiary, had been fully implemented throughout 1986, increased to £370m from £365.6m in 1985. Trading profit was up from £6.3m to £11.9m and interest paid dropped from £1.4m to £0.4m.

UGC is owned by a consortium of management and employees with 22 per cent; investment institutions (56.33 per cent); and Rover (21.67 per cent).

Tourists up by 14% in April

By David Churchill, Leisure Industries Correspondent

BRITAIN experienced a 14 per cent increase in overseas visitors in April compared with the same month last year.

Leading the increase, according to figures published by the Department of Employment, were visitors from western Europe, who totalled 38 per cent more at 950,000 than in April 1986.

North American visitors were up 8 per cent at about 200,000 although that was in comparison with the fall last year caused by the US bombing of Libya.

In the three months to April —a more reliable guide than the monthly figures—the total number of visitors to the UK was some 10 per cent higher at 2.9m.

North American visitors were only 2 per cent up while visitors from western Europe were 15 per cent higher.

British Telecom admits shortcomings in City services

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

BRITISH TELECOM has fallen behind in the level of its service to business customers, particularly in the City of London, Mr Paul Reevey, director of Telecom sales, said yesterday. However, he said the situation was under control and the group expected to have an adequate supply of new services to meet the demand within the next 12 months.

Mr Reevey's comments, made at the Financial Times' conference in London on Telecommunications and the European Business Market, came after a week of mounting criticism over the quality shortcomings of the service provided by the company.

He conceded that business customers would be correct in claiming that the group had not reached its goal of satisfying their needs, but said the situation had arisen as a result of a number of unpredictable events.

The most important of these developments was the huge jump in demand for telephone lines in the City. "Never in our wildest dreams could we have anticipated, or justified, the level of increased demand that did appear and, in truth, I think that most of our City clients were equally amazed."

Demand for private circuits rose to treble the forecast figure and, although BT kept abreast of that until last Christmas, the difficulties were compounded by bad weather in January which delayed cable installation. That had been followed by the engineers' strike in February. Mr Reevey said: "The resulting drop in supply inevitably began to increase the backlog."

The group was making a significant new commitment to business customers, partly through its Service Centre organisation, which will offer clients four different guaranteed response times for maintenance.

FT CONFERENCE

Telecommunications & the European Business Market

Commenting on the provision of telephone services in the City throughout last year's installation of new trading systems, Mr Rod Sinclair, a director of Barclays de Zoete Wedd, said that at one stage the installation of lines was 30 per cent behind target but that only 1.5 per cent remained outstanding.

He also conceded that demand had been underestimated, saying that his company had not foreseen the big increase in the need for direct lines, while overall volume had doubled over the last year. He anticipated further rapid growth in telecommunications in the securities markets, partly because of the expansion of international trading.

Mr Henry Ergas, counsellor to the advisory unit of the Organisation for Economic Cooperation and Development, said development of the switching technology known as Integrated Systems Data Networks was likely to lead to different pricing methods because telephone companies would be forced to look more closely at their infrastructure costs.

He predicted the service would create severe transitional pricing difficulties for network operators and their business clients.

Speakers also put heavy emphasis on the growing requirements of large customers for high-quality telecommunication services on a pan-European basis, but both Mr John Garton, group communications research manager at Rowntree, and Mr Philip Collings, special director of business services at Whitbread, said communications had become a crucial part of their companies' activities.

There was continuing need in their operations for faster and faster response to market demand and they both argued that the establishment of European standards in Britain was essential.

On the issue of whether companies should develop their own private communications networks or use public facilities, Mr Nick White, head of telecommunications services at Midland Bank, said that choice had been made wider by the emergence of third-party network operators.

The decision between such a growing number of alternatives had become important, he said, because network strategy had developed into a business issue rather than a technologist's part-time hobby.

That point was echoed by Mr John Wilson, general director of EDS Communications, who said companies were faced with many potential solutions to their telecommunications problems, involving a mixture of "make" or "buy." The best response, he said, was to avoid the assumption that what was good for one company was right for another and to choose a system that worked for the individual company concerned.

Also speaking at the conference yesterday were Mr Robert Munsen, director of network systems at TRS Telecommunications American Express Travel Related Services, and Mr Michael Cooper, vice-president of ADP Financial Information Services.

Censorship and the courts

By A. H. Hermann, Legal Correspondent

IT IS SIMPLY not true that there is no progress in law and its institutions and, if ever I said so, I now solemnly retract.

At the time of King Alfred a slanderer had the choice between losing his tongue or his head. By 1275 you paid for libel by having your right hand amputated but for slander only with the loss of your ears. In the 19th century editors who published cheeky remarks about members of the Royal Family remained physically intact, though they had to spend some months in prison. The last journalist to go to prison for libel was Lord Alfred Douglas in 1923, and he really asked for it.

Since then editors, or rather newspaper proprietors have only been made to pay damages and the criminal libel became *obsolete* until it was revived in 1975 in the skirmishes between Private Eye and Sir James Goldsmith.*

However, a High Court judgment last month indicates that a *private suit* for libel can have results more serious and more damaging than criminal prosecution. On June 3, a judge in the High Court awarded to a British ex-naval officer, now resident in Malta, damages amounting to £450,000 against a small Athens daily Eleftherotypia, its editor and its London correspondent, finding them guilty of defamation published in the UK where the paper sells about 50 copies. The judgement is likely to upset many people in many countries and not only the London correspondent of Eleftherotypia whom it is likely to bankrupt.

Before I discuss it in greater detail, I must say a few words about the two preceding demonstrations of confused thinking about confidentiality, press freedom and law enforcement, namely the Peter Wright case, pending before Australian courts, and its London aftermath, and the case of Mr Jeremy Warner, Business Correspondent of the Independent newspaper, who refused to disclose his sources of information to the inspectors of the Department of Trade and Industry.

Before starting on this let us have a bit of theory: the rules of law are not of equal strength; some are more important than others. The freedom of expression and of the press, the right not to be condemned until proven guilty, not to be discriminated against because of one's gender, colour, race or politics are important principles protecting individuals. They should not be overridden by rules dictated by expediency and public interest, for example in the enforcement of contracts, national security and crime prevention.

The so-called privilege of the journalist not to disclose his sources is not one of the sacrosanct principles but a rule based on expediency, to enable the press to learn about matters which should be revealed from those who otherwise would fear the disclose them. This consideration must, in most legal systems, retreat before the interests of justice, and prevention of crime.

The reason so many people took a poor view of the Government's case against Peter Wright, the ex-MI5 man, is that they felt the enforcement of a promise not to reveal confidential information was less important than the public interest in the reliability and efficiency of the security agencies. If the Government could claim that publication of Peter Wright's book would endanger national security, it would have had a better time both in court and in the press. Moreover, at the time when a UK court prohibited the Guardian from publishing parts of the manuscript, the substance of the allegations made in it was widely known, and in any case they were such that, if true, the potential enemy would have known about them a long time before Peter Wright discovered them.

The affair took on a still wider significance after three London papers published large extracts from the manuscript. The Attorney General accused them of criminal contempt of court by frustrating the purpose of the court's prohibition addressed to the Guardian. An appeal in this case is still pending and if the Attorney General is proved right, he will have succeeded in opening the gate to a general censorship by means of court orders addressed to one paper which all others have to obey. If parliament thinks that some sort of censorship is necessary, it should be able to devise a more rational way of providing for it.

Then there is the case of Jeremy Warner. The DTI inspectors want him to say from whom he got information about governmental decisions on mergers before these were published. They say this information is necessary to uncover the sources of leaks to an insider trading ring. First there is the narrowly legal question. Mr Justice Hoffmann quite rightly found that the inspectors did not show why the disclosure of the journalist's sources was *necessary* for prevention of crime—the condition laid down in law. He was overruled on appeal when Lord Justice Slade replaced the ordinary meaning of "necessary" which is "not possible without" by a meaning much closer to "useful", "expedient." Moreover, he said that, being respectable men, the inspectors need not say why they think the disclosure is necessary. Instead of the carefully worded condition of the statute a mere word of the inspectors seems now enough to bring about a conviction of the reluctant journalist.

However, the case involves an even more important issue of policy. A timely publication of governmental decisions about mergers is a much more effective method of preventing a few insiders scoring against the multitude of uninformed investors than criminal proceedings which so far have had only meagre results. Mr Jeremy Warner's scoops pre-empted insider trading; by trying to make him disclose his sources the Court of Appeal is frustrating his efforts.

And so we come to the case of the Greek newspaper and its London correspondent condemned to pay £450,000 in damages to a businessman in Malta who earlier served in the navy and then joined the underground opposition to the Colonels' Regime in Greece. The allegations published in the Greek paper concerned this period of his activities. There is no need to say more than that they were found defamatory. In view of the obvious inability of the Greek paper and its London correspondent to pay such huge damages, one wonders whether it would not be more satisfactory all round if the paper or its London correspondent were made to publish a retraction of the defamatory statements, whatever they were.

It is also rather curious that all of a sudden there is an award of nearly £½m for damaged reputations which can be repaired. when the death of ferry disaster victims is thought to be worth no more than £38,000. Not only is there a disparity between damages for defamation on one hand, and death and disability on the other but also between this enormous award and all previous ones in similar cases. In a list appended to David Hooper's excellent book* the highest award previously recorded was made last year to a Turkish Cypriot official against the Guardian amounting to £65,266, though the other awards in the list are much lower, mostly between £10.000-£20,000.

The fact that a London court assumed jurisdiction over a claim baised on alleged defamation in a Greek newspaper, provoked an outcry in which all shades of Greek political opinion have joined. The sole justification was that about 50 copies of the paper are sold in the UK. This brings to mind the treble-damages product liability actions brought in the US courts against foreign manufacturers who do only minimal business there and where the plaintiff is not even a US resident. UK industry will find it more difficult to complain of the long-arm of US courts if UK courts exercise a similarly long-arm jurisdiction over Greek newspapers.

There is also the danger that American plaintiffs will find it attractive to sue the Wall Street Journal, for example, in the UK, where libel law is stricter than almost anywhere else, and, of course, British papers may be exposed to similar inequities if other countries choose to follow the High Court example as soon as they discover that a London paper contains something they do not like very much.

Peter Wright, Jeremy Warner and Eleftherotypia — is it too much to ask for a statutory rationalisation of the press law?

**See David Hooper, Public Scandal, Odium and Contempt; Coronet Books 1986.*

Delaware: no hostility to takeovers

By Leo Herzel and Richard W. Shepro

IT IS HARD, even for a statute blessed by the United States Supreme Court, to break into the big-time takeover world.

On April 21 1987 the United States Supreme Court surprised the takeover industry by holding a controversial Indiana anti-takeover statute constitutional *CTS/Corp v Dynamics Corporation of America.* (See Herzel & Shepro, "The Limits of Indiana's Anti-takeover Legislation," Financial Times, May 8, 1987). On June 10 the Council of the Corporation Law Section of the Delaware Bar Association decided not to recommend adoption of a similar statute to the Delaware legislature. In Delaware, on a corporation law matter, that is tantamount to a decision of the legislature.

With Delaware temporarily (more likely permanently) out of the picture, the importance of the Indiana anti-takeover statute has declined sharply. Delaware is by far the most important state for the incorporation of large publicly-held companies. Although Minnesota enacted a similar law on June 25 in the face of a takeover threat *to* Dayton Hudson (and even if some other states follow Indiana), the practical effect of the statute itself is no longer likely to be large.

The key provision of the Indiana statute requires shareholder approval when any shareholder crosses any of three percentage ownership thresholds: 20 per cent, 33⅓ per cent or 50 per cent. Without approval the control shares have no vote and the corporation has an option to redeem them at fair market value. Neither the shareholder who owns the control shares nor members of management, nor anyone closely connected with them, can vote on the matter.

The CTS case received a great deal of publicity because it may be an important favorable precedent for other state anti-takeover laws, including some that may be quite different from the Indiana statute.

But another important factor was the sign in the majority opinion of a subtle shift in the way the Supreme Court views takeovers. In 1982, the last time the Court considered the issue, it rejected an attempt by Illinois to regulate takeovers. The opinions in that case were more enthusiastic about takeovers.

The CTS opinion stressed that the Indiana law enhanced the rights of shareholders, not incumbent management. Without some special protection, shareholders cannot organise to protect themselves in a takeover. The Indiana law, the Court said, helps shareholders solve this problem. Nevertheless, the statute will also help target managements, mainly by causing delay and, possibly, confusion in takeovers. So it is hard to resist the conclusion that there may have been a shift in the Supreme Court's attitude toward takeovers. Possibly, the bad publicity which takeovers have received in the insider trading scandal was a significant factor in the change.

The Supreme Court appears to be giving states an important new opportunity to make their company laws more attractive to large corporations by making hostile takeovers more difficult. For many years some of the states have competed with each other to attract new incorporations. This competition is based on their corporation statutes and other parts of their legal structure affecting corporations, for example, judicial precedents and the reliability of court systems. In America, companies do not have to do business in their state of incorporation.

Delaware has the most to lose in this competition. It depends more on incorporations to support its economy than others states. Typically large companies incorporated in Delaware have no other economic ties to the state. Its past victories in securing incorporations have even led some lawyers and economists to label the competition among states "the race to the bottom." So why did Delaware pass over this opportunity?

One important reason is that there were difficult practical problems connected with enacting complicated controversial legislation quickly. The Delaware Council made its decision after receiving comments on a draft statute it circulated throughout the takeover industry.

Some of these comments questioned the wisdom of the key idea in the statute. Fears were expressed that the statute would encourage "raiders" to put companies into play by making it cheap to accomplish. Raiders, it was said, would only have to declare that they were ready to become shareholders with control shares and ask for a shareholder vote.

Other comments expressed the concern that the effectiveness of existing, non-statutory takeover defences might be impaired by the statute. Someone who was attacking a takeover defence (a poison pill, for example) could make the point that since the statute gives shareholders a vote on whether it would be desirable to have a new control shareholder, any other takeover defence should be regarded as inconsistent with the statute because it deprives shareholders of that statutory right.

Some of the policy and technical comments made by those who approved of the main idea in the statute would have been difficult to deal with in the short time before the legislative session ended on June 30. A good illustration of the subjects of this type of comment is the procedure that should be required for a company to adopt the statute. Should shareholder approval be required or should board approval be enough? And, if shareholder approval is required, when (eg, immediately or 15 months after board approval) and how often (eg, only once or every three years)?

Moreover, there would be an irreducible unresolved constitutional question left for the courts to decide even if Delaware adopted a statute as close as possible to the Indiana model. The Indiana statute covers companies incorporated in Indiana, but only if they also fulfil the additional condition that they have certain important economic ties with Indiana. That worked well for Indiana because large companies incorporated in Indiana also have their principal places of business there. Delaware, however, could not impose that additional condition because most large companies incorporated in Delaware have no important contacts with Delaware other than incorporation. The Supreme Court opinion does not deal with this point.

Perhaps even more important is the federal legislation pending in the wake of the insider trading scandal. This legislation, in effect, might make the Indiana statute redundant. Proposals pending in Congress would extend the minimum time before a tender offer can become effective from 20 to 30 or more business days. If one, not unreasonably, views the practical effect of the Indiana statute as mainly a delaying device (approximately 50 days) favouring takeover defence, rather than a profound resort to collective shareholder decision-making, there would be less need for a new state statute imposing delay in a tender offer.

The danger that Congress might some day enact a federal corporation law superseding state laws may also have made Delaware more cautious. Lately a number of aggressive defensive techniques sanctioned by the Delaware courts have been eliminated or questioned by the Congress or SEC: most prominently, discriminatory self tender offers, poison pills and the payment of greenmail. When states enter a controversy, the SEC, Congress and the courts can each have a turn. The ultimate congressional weapon is federal incorporation where Delaware, of all the states, has the most to lose.

Furthermore, Delaware lawyers are ambivalent about defence (and offence) in takeovers. What is best for them is a fairly even balance between the two. That creates controversy in the Delaware courts, which is an important part of the Delaware corporation industry.

The authors are partners in the Chicago Law Office of Mayer, Brown and Platt.

Why the Irish have been taking more water with it

Geoffrey Read: sought a better source in County Limerick

THREE YEARS ago Ballygowan Irish Spring Water was just a twinkle in Geoffrey Read's eye. Today, the brand, which has its source in County Limerick in the Irish Republic, is the market leader in his homeland and is about to be launched nationwide across the US by Anheuser-Busch, the world's largest brewer.

The story of Ballygowan is one of keen market perception and perseverance by Read, its 32-year-old originator and marketing director. And it has a touch of the proverbial luck of the Irish.

Read, who studied electronics and telecommunications, was selling and designing footwear in London when, one morning after a late night, he bought a bottle of mineral water. "I felt I had tasted better spring water in Ireland," he says.

When he returned to Ireland in 1979 he got a place on a Government Start Your Own Business scheme and spent five months researching the international mineral water market. "The trends towards increased mineral water consumption were all there," says Read.

The only way he could test the potential of the small Irish market was to try to produce a product. With the assistance of the Geological Society of Ireland he located a source deep in what he describes as the forests of County Kilkenny.

Read borrowed £4,000 and started a make-shift operation with pumps, tanks and filters. Assisted by his family he bottled and labelled his own naturally carbonated mineral water.

"We put the drink into a number of shops and very quickly demand exceeded supply," says Read. But his spring did not have the potential for long-term development, in particular because of its remote location.

He went in search of a better source. EC legislation on minteral water stipulates that mineral water must be bottled at source. Read believed that because of the rationalisation taking place in the Irish soft drinks business there might be a bottler with spare capacity. The challenge was to find a bottler with a nearby spring.

He found just that business in Newcastle West, County Limerick, where Richard Nash & Co had been bottling soft drinks since 1875. At the site, resplendent with its own ruined castle built by the Knights Templar in the 12th century, was a spring dubbed St David's Well. The waters had been bottled only occasionally — a shipment had once been sent for pilgrims travelling to Mecca.

"Richard Nash had the spare bottling capacity and I had an idea," says Read. They formed a 50-50 joint venture and Ballygowan Irish Spring Water started to flow. At the time, early 1984, Perrier, the French mineral water, had about 95 per cent of the Irish mineral water market.

"Ballygowan became successful rather quickly and increased the market," says Read. This year the product commands some 75 per cent of the Irish market — one that has grown eight-fold since 1984. Turnover is about I£2m.

At some 4m litres a year, it is a small market compared with the UK — which has an estimated 90m litres. But says Read: "The per capita consumption is lower than in the UK but, like the UK, that lags significantly behind Continental consumption and there is room for a lot of growth."

In looking for export markets Read identified the US as a large and important target. Not only does it have a large Irish population, but imported products can carry a premium-price cache.

In looking for potential partners Read wanted an organisation with good nationwide distribution.

In mid-1986 Anheuser-Busch took a 50.1 *per cent stake in* Ballygowan Spring Water and the construction of a new £3m 28,000 sq ft plant was started at the source. The plant has increased production capacity 10-fold.

Anheuser-Busch is just about to launch Ballygowan in the US where it also sells two of its own domestically produced waters. "We want to take on Perrier, the market leader, head-on," says Read. "We are offering a low sodium quality water sourced in an area where the prevailing winds come off the Atlantic so we are protected from the acid rains."

His ambitions are now spreading to the UK where there is very limited distribution of Ballygowan. Talks are proceeding with a number of distributors and Read hopes to strike a deal this year. After that he is looking for key Continental markets and beyond.

Read says with pride that in *1986 Ballygowan won an international* grocery Oscar for the best new non-alcoholic beverage. And he picked up the prize in Paris, the capital of the country that gave Perrier to the world.

Hard work and being in the right market at the right time have obviously played a major part in the development of Ballygowan. Read also points out that there has been luck too. In 1985, when the company had little money to spend on advertising, Ballygowan won an award given by the 11 newspaper titles in Ireland. The prize was £100,000 of free advertising in the newspapers.

Lisa Wood

Marketers leave Woopies in the wilderness

David Churchill reports that there is little product targeting at the over-55s

WOOPIES — Well Off Older People — is the latest trendy acronym which reflects the rising purchasing power of the UK's ageing population.

The over 55s (the threshold for "older" is variable) are not only becoming one of the largest numerical segments of the population but they are also emerging as one of the most affluent and potentially attractive target groups for marketers.

Yet in marketing terms, Woopies are still largely ignored. "It is fashionable for marketing and advertising executives to be indifferent to the old," points out Dr Stephan Buck, group research director at AGB Research.

"They still go for the younger, trendy types who can be influenced for the rest of their lives. The old, they *feel*, are set in their ways and don't spend much . . ."

Consequently, with rare exceptions in such markets as travel and personal finance, UK marketing executives have appeared slow to recognise the potential of so-called "grey" power.

Many consumers over 55 are, however, among the wealthiest of all spending groups. Their financial prosperity is based on five factors:

● They joined the property market before the 1970s boom, now have relatively small or no mortgages, and are living in assets the value of which has soared almost beyond belief.

● They are among the generation which is most likely to inherit property from parents or relatives. The Midland Bank, for example, has estimated that 150,000 properties will change hands in the UK every year for the next 10 years through inheritance—worth at least £4.5bn annually.

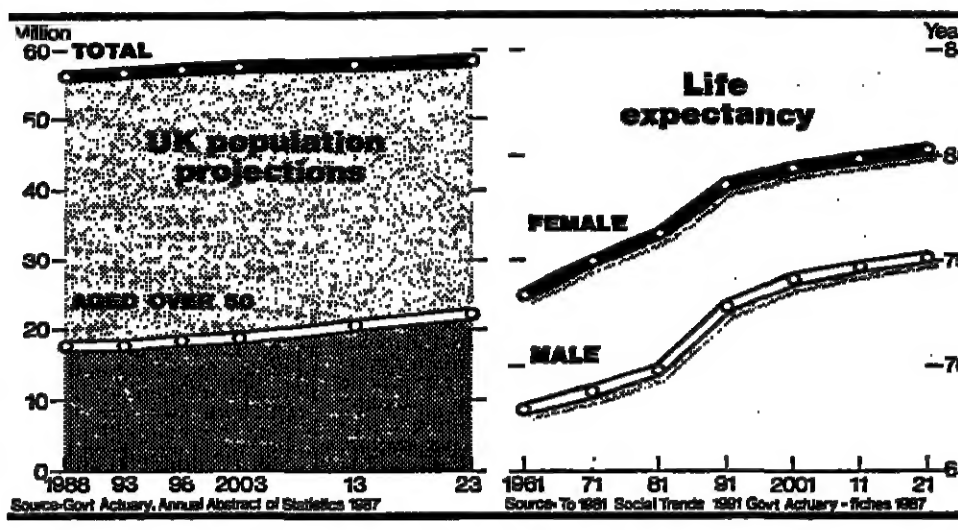
● They often benefit from children — who have represented the largest drain on resources for two decades—leaving home, freeing not only fixed assets such as large houses but also the cost of education and looking after those children.

● They have a higher proportion of savings waiting to be unlocked than any other age group. The over 55s alone account for some two-thirds of all UK private savings.

● They are among the first to benefit from the growth of occupational pension schemes which give them a higher level of disposable income. In the UK private pension arrangements now account for between a third and a half of all old-age benefits.

The over-55 phenomenon, moreover, is here to stay. "Britain's population will never be much younger than it is now," pointed out Peter Laslett, director of the Rank Xerox Unit on Aging at a recent Economist conference.

Britain is not alone in facing the problem of an ageing population: Continental Europe has twice the average proportion of elderly as elsewhere in the world. And by 2025, according to a recent study for the International Monetary Fund, nearly 20 per cent of the population of the seven major OECD economies will be 65 or over, compared with just under 12.5 per cent at present.



The US, though, has been more astute. There the growth rate in elderly people is more than twice that for the population as a whole and companies have increasingly targeted advertising and products towards mature consumers.

Why have companies in the UK been so reluctant to explore the potential of the grey markets? Cosmetic companies, for example—with one or two exceptions such as Yardley and Elizabeth Arden—have generally ignored the older woman in their advertising even though there are products, such as hair colourants, which are important to mature women.

Other manufacturers of consumer durable and fast-moving consumer goods have also ignored the over-55s, even though research shows that they are prepared to buy these products.

AGB's research also shows that manufacturers tend to ignore obvious markets, such as in the grocery trade. The over-65s, generally regarded as not worth targeting, are three times as likely as young consumers to buy foods such as canned fruit and twice as likely to buy cream.

Almost no marketing effort is directed towards the over-55s for luxury durables such as microwave cookers or video cassette recorders.

"Nobody has tried to sell to them, so nobody knows whether it would work," points out AGB's Buck. "It has to be worth a go, given the amount of money the over-55s have."

Among the reasons for the marketing gap is that many marketers are unable to identify with the elderly; they are generally young themselves and have been brought up in an environment where youth (at least those under 40) has always been the conventional target.

"Advertisers also fail to realise that older people are more receptive to new products and new ideas than they think," points out Sian Johnson, managing director of Applied Leisure Marketing.

"Older people often collect new products to compensate for their age and to show they are alive and bright," she points out. "As many women over 55 may want a jacuzzi as want a bath with a special rail because they are doddery!"

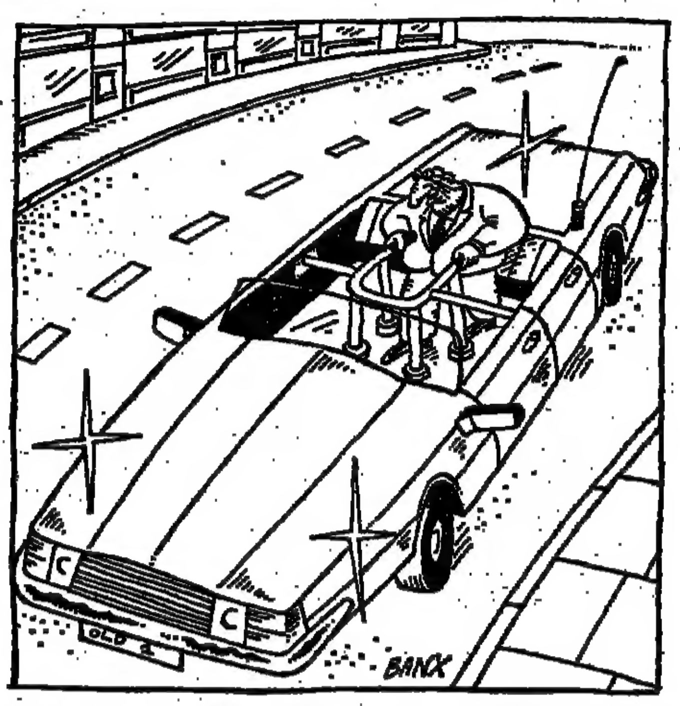
Yet some companies — especially those in the travel industry—have already tackled the grey market with considerable success.

Saga Holidays established itself in the 1950s as a specialist tour operator for retired people and its success later encouraged the giant Thomson Travel tour operator to enter this market in the early 1980s with its "Young at Heart" tour programme aimed at the over-55s.

"This sector of the travel industry has grown rapidly in recent years and is increasingly important for us," points out Nick Roberts, Thomson's product manager responsible for this area.

Grey power has also become important in several other sectors. These include:

● Savings. Since older people have accumulated such a higher level of savings than other age groups, they have clearly been a target for financial institutions. The Midland Bank, for example, has a special package aimed at the over-55s—called Fifty Five Plus—which includes free financial advice, investment options, and an interest-only loan for home improvements and repairs.



● Housing. Estimates suggest that about one in ten of all new private housing starts is aimed at elderly people. McCarthy & Stone, one of the leading builders providing homes for the elderly, recently announced plans to build a series of special villages for over-55s throughout the UK. The first, to be built near Oxford, will include specialist leisure facilities such as a golf course, swimming pools, and tennis courts.

● Private health. Increased longevity and the problems facing the National Health Service have made the over-55s a prime target for the facilities offered by private health care schemes.

As has already happened in the US, the effects of an ageing population stretch beyond the obvious marketing implications. The new elderly have been brought up in a generation where lobbying is the name of the game: their impact in the 1990s on government policies in the areas of health, pensions, and housing could all create further opportunities for alert marketers.

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TECHNOLOGY : Computing

BY ALAN CANE

Systems analysts in a time warp

TECHNIQUES developed to push back the frontiers of artificial intelligence (the ability of computers to make human-like judgments) may soon be used routinely in systems analysis as data processing professionals strive to improve their ability to interpret their customers' data processing requirements.

The essential difficulty, according to specialists in systems analysis like Rosemary Rock-Evans, is that systems analysts—data processing professionals trained to study a business to decide how it can best be supported by a computer—are too often caught in a technological time warp.

They are still looking for technological answers when they should set out to understand their customer's business from top to bottom.

Many of today's systems analysts were trained in the 1970s and early 1980s when it was essential to get the most out of the technology available. The hardware was expensive, cumbersome and not all that reliable. The software was often difficult to use, sometimes bug-ridden and never completed on time or budget.

Today, most experts agree that there has been a dramatic turn-around. Hardware is cheap and reliable. New methods of developing software are beginning to improve its reputation.

Technology is no longer the constraint. But the systems analysis business has yet to catch up with the technology.

Rock-Evans is sharply critical of the traditional approach which involves sitting down with the customer for an hour or two and asking what the system is expected to do.

"The wrong question" she says "is to ask what the customer wants to see on the screen. There is not a user in the world who would have a sensible answer to that question."

She agrees that prototyping—a relatively new technique for developing rough and ready versions of a finished system, made possible by low-cost personal computers and better software—is valuable once the business requirements have been settled. But argues: "Prototyping can simply involve sitting a customer down in front of a screen and then asking 'What do you want.'"

Technological answers are still being sought, instead of finding solutions which match the customer's business needs

Rock-Evans' credentials for laying about systems analysts so roughly are her 15 years experience of data processing, now encapsulated in a massive, four volume text book, Analysis within the Systems Development Life-Cycle, published by Pergamon Infotech.

The first volume, Data Analysis—the Deliverables, is already in print, and the rest will be available in September*.

It is a massive, comprehensive work and not for the novice. For the practising systems analyst, however, it is a treasure house of information. As Rock-Evans says in the preface: "I hope that this will prove a milestone in our attempts to move the industry on; away from its obsession with the machines themselves and towards making those machines work for our benefit.

"There is still too much time spent in developing systems. I have watched the industry flail around in its attempts to solve the problem—bigger machines, fourth generation languages, prototyping. We seem to have replaced armies of clerical staff with armies of more expensive computer support staff. Have businesses benefited, or is it all an illusion?"

So to the use of the techniques of artificial intelligence. The essential problem is to develop interviewing techniques which will enable the systems analyst to extract from a customer a clear picture of what his business is all about.

There is a clear similarity between this process and the interviewing techniques knowledge engineers use when building up a database of information for use in an expert system. Expert systems are collections of fact and opinion relating to a particular subject area. The information is gleaned from acknowledged experts in the field and stored in the memory of a powerful computer.

Special software makes it possible for the computer to give an apparently reasoned answer to questions put to it.

Because businessmen are expected to be the most knowledgeable about their own business, it therefore seems sensible for systems analysts to use the same kinds of interviewing techniques.

Systems analysis using artificial intelligence techniques is very much a methodology for tomorrow. But in the meantime Rock-Evans believes that systems analysts should be thinking about their interviewing methods and working on ways to bring the customer into a project as a permanent source of information.

What to do with the information once collected? Rock-Evans emphasises the importance of two techniques which have been around since the late 1970s but which are only slowly gaining general acceptance—data (or entity) modelling and activity modelling.

"Models" in these terms are simply graphical representations of the way complex sets of facts fit together. The stations and lines on the London Underground, for example, are much better understood as the well-known map than as a set of lists.

Data modelling involves the graphic representation of all the data in a business—stock, customers, orders and so on. Activity modelling is concerned with what the business does. These ideas, Rock-Evans says, are now generally accepted by most of the leading specialists in systems analysis.

Once the data model and the activity model, which together

Rosemary Rock - Evans: Sharply critical of traditional approach to data analysis

represent a statement of business requirements have been constructed, the way is clear for the analyst to set about deciding how best to support those requirements—which areas to automate, and which areas to leave to manual operation.

To the outsider, it might seem that these approaches are just what every systems analyst should be doing already, but it seems that a combination of lack of training, lack of opportunity, fear of the new and entrenched attitudes are holding a lot of systems analysts back.

It appears that many systems analysts cannot or will not keep up with the latest developments in their discipline. "Their managers should push them to keep up to date," says Rock-Evans. "Just as computing can give you a competitive edge, it can put you out of business."

*Analysis within the Systems Development Life Cycle, Vol 1, £44.95. Complete series £134.95. Pergamon Infotech, Berkshire, England.

US shareware keeps the faith—but who stole the show?

SANDY SCHUPPER'S considerable faith in human nature was tested to the limit last week.

A pioneer of "shareware," a method of low-cost software distribution which leaves his customers on their honour to pay for programs they use, he took space at the PC User Show at Olympia, London, to introduce the concept to the UK.

On the second day of the show, he complained wearily, someone stole the demonstration software on the stand; on the third day, they stole the cashbox!

Bloody but unbowed, Schupper is pressing on with his plans to establish his company, Brown Bag Software of Campbell, California, as the leader in shareware.

Although the idea is new to Europe, Brown Bag is only one of a handful of companies specialising in shareware in the US. It turns around the twin factors of the difficulty of protecting software against copying and piracy, and the high cost of distributing software by conventional routes.

Customers for any of Brown Bag's five major programs—all utilities for IBM compatible personal computers — are actively encouraged to make copies of their software and distribute them to their friends and colleagues.

If they, in turn, find the programs worth keeping they are encouraged, but not forced, to register their copy paying, in the UK at any rate, £51.40 a program.

They are then sent a fresh, up-to-date version of the program, a manual and two or three "bonus programs."

There is also free telephone support.

Each program has a unique identifier, so when a program is registered Brown Bag knows whose disk was the source of the copy.

The owner is then paid a 10 per cent commission—in the UK £5.14 for every friend or colleague who registers the program and pays for it.

What makes people pay up for a program they could have for free? Basic human honesty believe Schupper.

But conventional distribution and marketing demands an advertising spend of up to £80,000 per program per month worldwide, he points out, coupled with distributor discounts in the 60-70 per cent area.

He reckons to come out ahead even if a sizeable number of people with copies of the program fail to register.

His most popular effort, Homebase, a desktop organiser, has sold 100,000 copies.

Revenues will be £4m in the US in the coming year, £6m in Europe. Why faster growth outside the US? "There is a huge opportunity here to market reasonably priced, good quality software. Europe is virgin territory for shareware," he says.

Sun lifts performance and forms UK link

SUN MICROSYSTEMS, one of the two major US manufacturers of high performance workstations for technical and engineering applications, yesterday launched a new machine with dramatically improved performance — and invited a British software engineering company to take a role in the launch, one of only three software companies asked to do so.

Sun Microsystems and Apollo Computer, also of the US, lead the market for expensive, high-performance workstations used by technologists to, for example, run advanced computer aided design applications.

The new Sun workstation is said to run at 10m instructions a second and 1.6m floating point operations a second, giving it the performance of a top flight engineering minicomputer, the Digital Equipment VAX 8800, at about one tenth the price.

Imperial Software Technology, the British company linked to the Sun launch, develops special tools to make the writing of complex software simpler.

It has already converted its main product ISTAR to run on the new Sun workstation.

It will give the UK company very significant exposure in the US market for high-quality software engineering tools. ISTAR provides tools and an environment for the support of complex software projects.

Among Imperial Software's US customers are Motorola, the Software Engineering Institute and Argonne National Laboratory.

In the UK systems have been sold to British Telecom, Plessey and British Aerospace.

Europe's services sector set to maintain 20% growth

THE MAJOR European computing services companies grew on average by about 20 per cent in 1986 and are likely to grow by the same percentage in 1987, according to the European Computing Services Association (ECSA).

The Association, which includes 1,156 computing services companies in its membership, gave these figures in its 11th annual survey, published last week.

Custom software and consultancy flourished throughout Europe, the report says, with both areas growing, again, at about 20 per cent.

Processing services, which covers the computer bureau business, still accounts for over 30 per cent of the overall services market, but its rate of growth is now only about half that of the market as a whole. Local batch processing is declining in most countries, the report says, but new services such as value added network services and database services are growing much faster.

The fastest growth rate in 1986 was exhibited by packaged software—software products—but the rate of growth is declining and is likely to fall further.

The report notes: "Much of the software products market is accounted for by the systems software sold by the hardware manufacturers and it is not easy for the independent software and services firms in Europe to obtain a substantial share of this market."

These observations tend to confirm that Europe is moving towards software solutions involving a mixture of packages and custom software rather than a complete reliance on packaged products.

A package is a generalised piece of software which can be used by many companies if they are prepared to modify their business practices to suit the software rather than vice versa.

According to the International Data Corporation (IDC) which provided ECSA with overall market statistics, the software and services market in Western Europe grew from $19.7m in 1985 to $23.5m in 1986, an increase of 19 per cent.

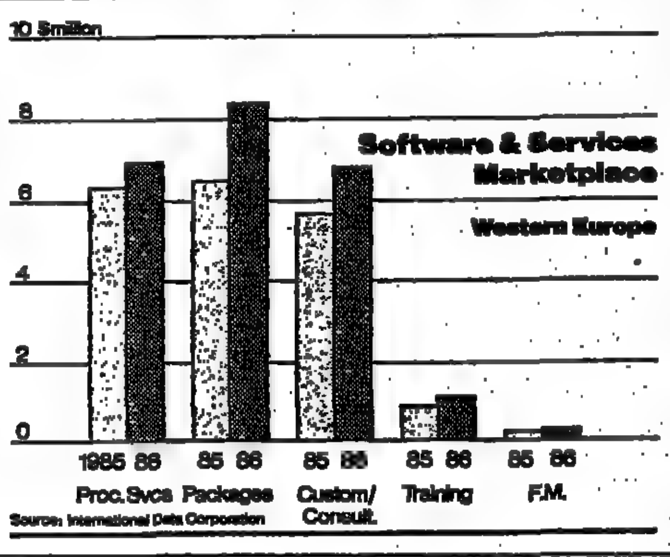
Four countries, West Germany, France, the UK and UK and Italy account for the lion's share (69 per cent) of the overall market.

West Germany showed the best performance, IDC says, increasing its market-share by 22 per cent to $4.62m.

The survey shows that in packaged software, applications tools — software which makes it easier to write other software — was the fastest growing market segment.

There was increasing interest in database management systems with a special emphasis on the very advanced relational databases, and in fourth generation languages, special software which generates computer programs from English-like instructions.

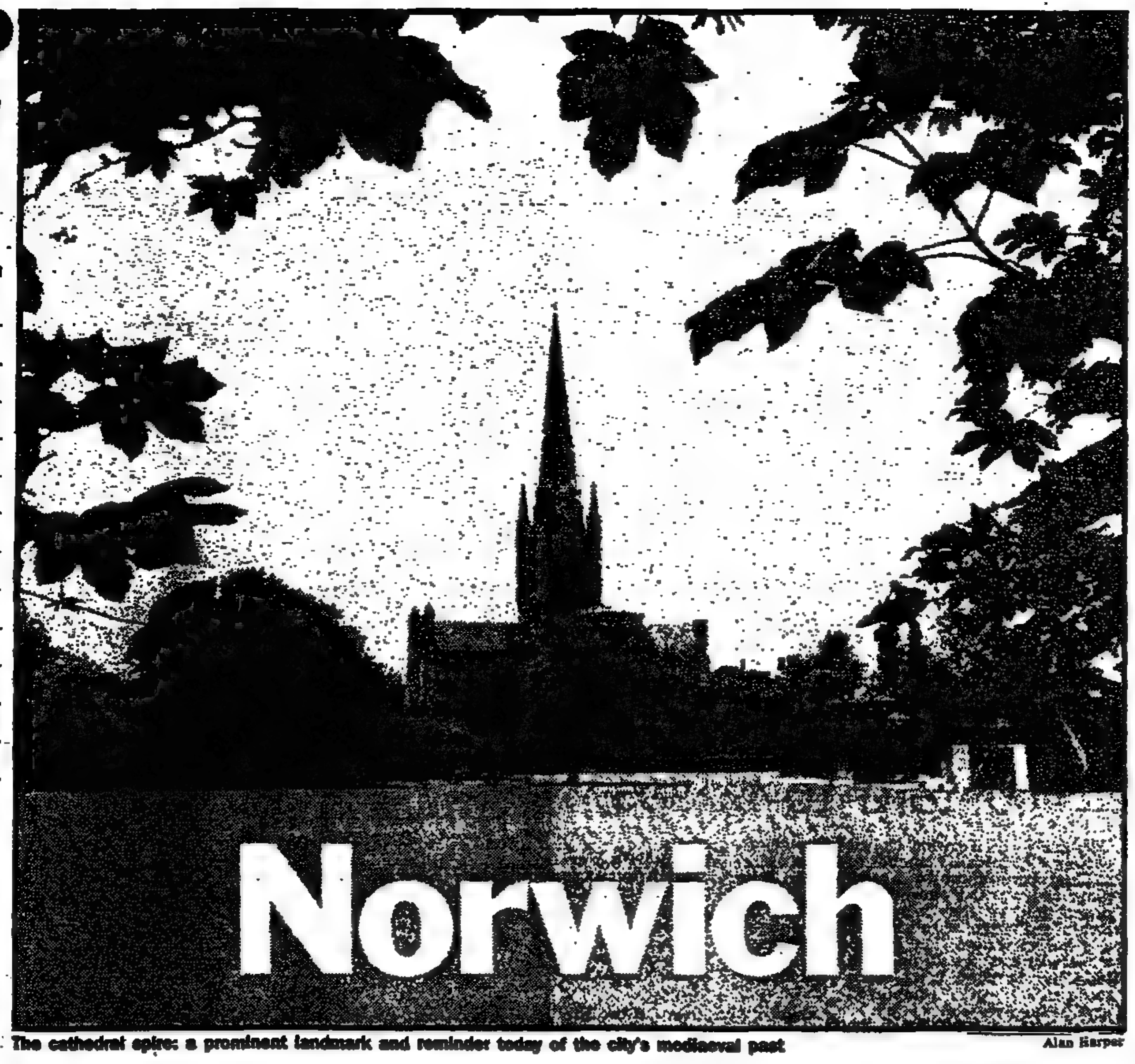
Eleventh Annual Survey of Computing Services in Europe 1987. Available from ECSA in London on 01-405 2171.



FINANCIAL TIMES SURVEY

The City of Norwich, having come through the recession relatively unscathed, is now approaching the 1990s more concerned about the pressures of growth and economic expansion than contraction of its industrial base It is focal point of a travel-to-work area of a quarter of a million people and, as the capital of East Anglia, is the centre of Britain's fastest growing region.

Survey by **Robin Reeves.**



Norwich

The cathedral spire: a prominent landmark and reminder today of the city's mediaeval past

Alan Harper

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A city that is doing nicely

UNTIL comparatively recently, the city of Norwich worried that it was perhaps missing out on growth in national prosperity, because of its relative isolation and its distance from the main national road networks. Communications remain a cause for complaint.

Perceptions about Norwich however are changing both among its citizens and those outside. The city, with a population of only 120,000 may be relatively small by modern urban standards, but there are a quarter of a million people in the travel-to-work area and, as the capital of East Anglia, Norwich is at the centre of Britain's fastest growing region.

The population of the county of Norfolk is predicted to increase from 700,000 in 1981 to between 750,000 and 770,000 by 1996. This is largely as a result of inward migration: only about half of the increase accounted for is by people retiring to the area.

Norwich is unusual. "A regional capital with all the facilities of a big city but the friendly atmosphere of a small town," is how Councillor Mrs Pat Hollis, the City Council leader likes to describe it. "The city of lost ambition," is another description reflecting the fact that once people have lived in Norwich, they often never leave.

During the Middle Ages and beyond, Norwich was the second city in the land, a period of prosperity based on woollen trade with the Continent which is still celebrated by the city's fine Norman cathedral and remarkable collection of 31 mediaeval churches (the largest concentration in Western Europe) which crowd the city's central area.

Norwich was then to a significant extent bypassed by the 19th century industrial revolution. As economic power moved to the burgeoning cities of the North and Midlands of England, Norwich kept a country town ambience.

The industries which did develop were related to its agricultural hinterland, notably drink and footwear. Colemans of Norwich and Rowntree Mackintosh are two famous names in the food industry which remain major local employers. The footwear industry has contracted sharply over the past 20 years, one notable disappearance being Norvic, once Britain's largest shoe company, but Bally and Start-Rite continue to keep the industry's flag flying.

More recent cutbacks have taken place at two other long-standing major local employers—Laurence Scott & Electromotors and Boulton and Paul Joinery. But the City has reacted in a sanguine fashion to these losses.

For one thing, there has also been good economic news. The city's largest private sector employer, Norwich Union, is expanding, as is one of its more glamorous companies, Group Lotus.

Confidence has also been boosted by a recent comparative survey of European provincial cities undertaken for the European Community by Professor Peter Hall of Reading University. This concluded that Norwich is top in Britain and high up the European list of most attractive cities in which to live; taking into account levels of unemployment, incidence of illness, crime, rates of growth and various other criteria.

An optimistic picture also emerged from a "jobs audit" recently undertaken by the City Council—a five-year forward look at the number of new jobs in the pipeline and outline strategies for further job creation to reduce the city's unemployment rate. These presently total about 8,500 or some 10 per cent of the working population.

The audit identified about 1,400 construction and 5,000 other jobs which were promised from private sector investment. It also forecast that approaching the same number of jobs again could be encouraged by council action, given (it was at that stage hoping for the return of a Labour Government in the general election) an easing of restrictions on local government finance.

Most provincial cities of its size, and even those far larger, are having to try to attract companies involved in financial services—one of the growth sectors of the 1980s—whereas Norwich not only has a sophisticated insurance sector but even boasts its own regional merchant bank—East Anglian Securities Trust.

Indeed, the reluctance of people to leave Norwich is reckoned to account for the above-average proportion of the working population involved in professional services generally. They range from a strong presence of big solicitors and accountancy firms capable of handling the most sophisticated work to advertising, marketing and public relations firms, Anglia Television and BBC East and the East Anglian newspaper group, owner of 20 titles including the Eastern Daily Press, currently the biggest circulation regional daily in England.

Norwich is also well-endowed in terms of its educational infrastructure, thanks to the presence of the University of East Anglia and the City College. Its Chamber of Commerce is notably active in encouraging business connections which will assist the growth of the local economy, and in acting as a local agent for many of the Government's training and other job creation initiatives.

There is a general pulling together. Certainly relations between the business community and a City Council long dominated by the Labour Party, are generally very good. The council is praised for pursuing a sensible, practical approach towards the city's economic problems and for the assistance it gives incoming and expanding companies.

The jobs audit report's main concern was that most jobs might go to outsiders, rather than benefiting local people, and create additional demands which public services would be unable to cope with; unless, that is, steps are taken to match local training to expected skill needs particularly in the construction industry.

Since then Dr Peter Townroe of the University of East Anglia's Economic Research Centre has been commissioned to undertake a more in-depth study of the Norwich economy and the surrounding area and identify growth potential as well as constraints on the city's development between now and the end of the century.

Dr Townroe hopes the study will be of general benefit in bringing together an overview of the Norwich economy during the next 10 years from a pooling of knowledge from the public and private sectors.

More specifically, he sees it assisting in land use planning and the provision necessary for industrial needs; encouraging a broadly-based economic development strategy and providing the background for the local education and traning effort.

On the face of it, Norwich appears to have many of the ingredients necessary for a successful economy in the 1990s and beyond, already in place.

The mix of industries is good. Certainly, it does not have too many of its employment eggs in too few baskets. Furthermore, management control in many instances is locally based meaning that decisions of vital importance to Norwich are not taken many miles away and without local knowledge.

But there are also constraints. One is clearly geography. Norwich is always going to have difficulty attracting businesses heavily dependent upon a UK-wide distribution network.

Another could be premises. The market for industrial property is not highly developed. Most development land is in the the hands of the City Council which is subject to strong budgetary restraints, as is now the University of East Anglia.

The thought has been expressed that it could emulate Cambridge by building its own science park and, as is highlighted elsewhere in this survey, the food industry promises to be a particularly fruitful avenue for co-operation between local academic and industrial expertise. But apart from the fact that spin-outs are likely to be more modest than at Cambridge—UEA is a far smaller university—the science park project has had to be shelved as a result of a drastic cut in budget by the University Grants Commission over the next three years.

The more immediately obvious constraint is road communications. Norwich is acutely aware that it remains the only English city without a dual carriage approach. Pressure is building up for an early commitment by the Government to the improvement of the A11 from Cambridge and a new southern by-pass is scheduled to be built in the early 1990s. But in the meantime Norwich feels disadvantaged.

Rail and air links present a brighter picture. British Rail has just completed the electrification of the line between Norwich and London, resulting in a reduction in the fastest journey times to under two hours. In short, Norwich is now virtually within daily commuting distance of the City.

Norwich Airport is investing £4.5m in a new passenger terminal and associated infrastructure which will double the airport's handling capacity to 400,000 passengers a year. The airport is one of Air UK's main operating bases. It provides scheduled daily services to Amsterdam's Schiphol international airport, less than an hour away, and other UK destinations.

Charter and freight traffic is also growing, assisted by the customs clearance facility which the airport is able to offer to local businesses, even for goods being imported through Heathrow and Gatwick.

Head office of Norwich Union Life Insurance Society

Insurance

Home-grown industry is expanding on all fronts

NORWICH'S LARGEST private sector employer, the Norwich Union group, is set for another year of significant expansion. Group premium income is on course to top £2bn, double the level of three years ago, and the number of employees, which last year rose by over 13 per cent to 4,000, is also set to rise.

"The target we have set ourselves for future growth is likely to mean that this year we will be recruiting some 500 some more schooleavers who meet our academic recruitment standards," Mr Victor Hughff, Norwich Union's chief general manager, explained recently.

Sedgewick, the UK's largest insurance broker and one of the three leading insurance broking houses in the world, is also expanding its presence in the city as part of a reorganisation which will boost the firm's Norwich staff numbers from 800 to nearly 1,000.

Norwich has long been fortunate in having its own, home-grown insurance industry—the origins of the Norwich Union group go back to the 18th century. Over the years it has been a source of ample, and secure, clerical employment, particularly for school leavers. Of late, it also has given the city a significant stake in one of the growth sectors of the British economy in the 1980s.

Norwich Union's current expansion stems in particular from the notable success of its new unit-linked insurance subsidiary, Norwich Union Asset Management. The group had been selling unit-linked insurance since 1968 but last year it hived this side of the business into a separate structure.

Combined with growth in the group's conventional business, the move helped boost Norwich Union's share of the worldwide premium market from 4.8 per cent to 6.1 per cent. Its Life Society overtook both Standard Life and Legal and General, and narrowed the gap on the leader, the Prudential.

Furthermore, the growth is continuing. New business proposals this year have been running 20 per cent ahead of the same period last year, success which is being attributed to a more professional approach to marketing and to a good investment performance.

In non-life business, Norwich Union is now among the largest of the motor insurers in the UK, and certainly reckons to be the biggest insurer of motorcycles and vehicle fleets.

In contrast to many other insurance groups, Norwich Union's insurance "products" are marketed through insurance brokers, accountants, solicitors, financial advisors and, in the case of non-life policies, through garages and travel agents. In short, Norwich Union does not have its own field force but, rather, is a wholesaler of insurance.

The group copes with its particularly demanding communications needs vis-a-vis the rest of the country, electronically, by renting telephone lines for its exclusive use and, physically, by running a private aeroplane in collaboration with Colmans. The airplane would apparently be difficult to justify on economic grounds alone but it saves staff significant time when it comes to visiting places like Cardiff, Channel Islands or Dublin.

Sedgewick's current expansion in Norwich stems from a decision to concentrate its technical insurance processing and accounting, including its claims service, in one centre, as part of reorganisation of its UK offices. It parallels a co-ordination and merger of the Sedgewick group's North American businesses. But, unlike Norwich Union, Sedgewick is not tied to the city. It is there because one of it forebear companies, Bland Payne, first established a presence in Norwich in 1971.

But the fact that Sedgewick should have chosen Norwich to expand an area of its business activities, some 80 per cent of which are conducted with overseas clients, has been a fresh vote of confidence in the city as a suitable environment for the insurance industry, given the distance from London and, on the face of it, the potential local competition for staff.

Food industry research

£15m gift stimulates sector

IN APRIL this year Mr David Sainsbury of the food retailing group announced the donation, through his Gatsby Charitable Foundation, of £15m to create a new plant disease laboratory at Norwich, linked to the John Innes Institute of Plant Sciences and the University of East Anglia.

The new Sainsbury laboratory will study the application of genetics and molecular biology to the protection of plants from disease, in place of chemicals whose possible ecological effects are the subject of increasing concern.

Plant diseases are a serious problem for food producers. They are reckoned to reduce crop yields by 10-20 per cent.

Two months before the Sainsbury laboratory announcement, the Government also unveiled plans for a new food science laboratory in Norwich. This new Agriculture and Food Research Council facility will strengthen the food safety work of the Institute of Food Research at Colney Lane, Norwich.

Much of its work is concerned with the chemical aspects of food safety in such areas as additives, contaminants and other trace constituents where growing public concern has been expressed and there is a clear need to assess any risks scientifically.

The two announcements highlight Norwich's growing importance as a centre of food industry research. If the research personnel of the Norwich Institute for Medical Education are included, the city will soon have some 300 research scientists concerned with food and biological sciences on sites immediately adjacent to the University of East Anglia campus.

There is also the possibility of Norwich's new main hospital being located in the vicinity which would add a further valuable dimension. It all adds up to a unique gathering together of food and biological science expertise which could produce handsome dividends for the local economy in the 1990s.

Certainly, research and development facilities have proved to be a vital ingredient for other industries and local economies when it comes to encouraging growth and expansion and ensuring that commercially viable, new products and processes come forward to replace those being lost either through changes in market demands or technical obsolescence.

Professor Derek Burke, the new Vice Chancellor of the University, a biotechnologist who worked in the private sector in Canada for a number of years before being headhunted and persuaded to take up his present post, has emphasised the connection:

"These major laboratories on the edge of our campus are a growing strength for the university and its region. It may well be that the best prospects for any future new venture developments will be by working in association with these institutes," he noted recently.

According to Professor Peter Richmond, Head of the AFRC's Norwich Laboratory, his researchers have several prototype products in the pipeline. "We see considerable opportunities for the generation of small businesses out of our work and hope that they can be based locally," he said.

To this end, the university has itself proposed developing a Science Park adjacent to its campus, to encourage spin-off businesses. As a result of Government budgetary cuts, the project has recently had to be shelved. But there are hopes that it may be revived soon, perhaps with the involvement of private sector developers.

There are other advantages. Norwich, as the centre of a rich agricultural county has been long associated with the food industry and today is the home of some of the most well-known names in the food manufacturing business.

Colmans of mustard fame, part of the Reckitt and Colman group, was founded near Norwich at the beginning of the last century and it remains the centre of the group's food and wine division. Rowntree Mackintosh, the confectionery group, also has long-established presence in the city. And, not far outside, is Bernard Matthews, Britain's largest turkey producer and a pioneer in the development of branded meat products. In short, Norwich is not only accumulating a unique scientific expertise in the food business, but also has an equally important tradition of successful business and commerce in the food sector. Between them they ought to create a centre of excellence and economic expansion.

Mustard to crisps

COLMANS OF Norwich is just putting the finishing touches to a £26m investment in a new plant which will modernise its production of the company's Robinsons range of soft drinks and barley waters. The investment will not result in extra jobs but it should underpin those of 1,400 workers employed at the Norwich site.

Within the past two years, the company has moved to maintain its brand leadership of the UK soft drinks market by launching a special local sugar and a high juice cordial to meet the growing health-conscious preference for drinks without artificial flavourings.

Mr Vernon Sankey, managing director of Reckitt and Colman's food and wine division says that demand for the company's range of ready drinks in cartons is also growing rapidly at the expense of canned soft drinks.

The raw material for Colman's most famous product, mustard, along with other food enhancers such as horseradish, mint and parsley, is grown in East Anglia under contract, using seed provided by the company. Traditional English yellow mustard still dominates the market. Imported speciality mustards have about a 10 per cent share.

Norwich is also responsible for the wine business of the group — Colmans is one of the pioneers of wine in a box — and its range of sauce mixes and cook-in and pour-over sauces which were introduced in the mid-1970s.

But it is another sign of the times that the company decided last year to introduce a wholegrain mustard to fit in again with the trend towards wholefood products.

Rowntree Mackintosh's Norwich factory, which employs around 1,100, is responsible for a wide range of the company's chocolate products, manufacturing part-processed materials for the company's seven UK factories as well as many of its best-known brands.

Capital investment at the site has been running at the rate of £1.5m a year, the latest investment being a project to modernise its Easter Egg production. This is due to be completed next year.

Another major name in today's Norwich food industry is the Bernard Matthews group, headquartered at nearby Great Witchingham Hall. Its spectacular growth has swept away the argument that the days of achieving corporate brand power in the food industry are over. Having extended its pioneer development of the turkey products market into other types of meats, Bernard Matthews is now embarking on an era of overseas expansion, particularly in the North American market, where it has just signed a marketing agreement with H. J. Heinz of Canada.

Norwich also boasts a number of young, fast growing, companies in the food manufacturing business. Tucker Foods, founded in 1983, last year became the first company to launch a jacket potato crisp, a product which has since been copied by the market leaders.

Another relatively new company, Cambridge Nutrition, has built up a successful business selling food products with next to no calories for those trying to lose weight.

ELECTRONICS

Components buyout

THIS APRIL, the Norwich-based components division of STC, the international electronics group, was bought out by its management team and renamed Syfer Technology.

The move helps strengthen Norwich's relatively small electronics sector. Syfer specialises in the manufacturer of multi-layer ceramic capacitors—small components made up of layers of conductive precious metals and ceramic insulator.

The capacitors, which can retain an electrical charge, are used mainly in computer memories where they store the energy needed to allow the Random Access Memory (RAM) to function. About a quarter of the company's sales go abroad.

The buyout was led by Mr Frank Dyson, the managing director and includes Mr Dick Bessey, the Finance Director and Mr Derek Nicker,. the technical director.

Financial support was provided by 3i's Cambridge office, with backing also from CIN Industrial Investments and Barclays Bank.

Mr Dyson stresses that Syfer Technology is the only domestically-owned major manufacturer of multilayer capacitors in the UK. "The company has a good base of blue chip customers in the electronics field and we now plan to use our technical expertise to broaden the product range that we offer them," he said.

Other companies in the sector include L.J. Electronics, a home-grown Norwich company, whose robotic and electronic teaching equipment has won the company special accolades within the electronics industry.

Equally, however, the risks of the high technology sector were underlined last month when it was revealed that Norwich-based Datron, whose earlier success in the manufacture of test and instrumentation equipment had led to the establishment of a Silicon Valley subsidiary, was discussing merger terms with an American company after running into financial losses.

Shoe manufacture

Back on expansion track

AFTER YEARS of contraction, one of Norwich's traditional industries, shoe manufacture, is fighting back. Mr Geoffrey Marshall, managing director of Bally Shoes and this year's chairman of the British Shoe Manufacturers' Federation is confident that in five years time, his company's Norwich factory for one will be producing 50 per cent more with much the same workforce and significantly improved profitability.

Last year, the Norwich shoe industry produced 4.3m pairs compared with 6m pairs in 1979 but with a labour force which has fallen from 4,200 to 2,500 over the same period.

A key ingredient in Bally's expansion strategy is the installation, at a cost of £13.5m. over the past three years, of a new computer-based management system to integrate its manufacturing, physical distribution and retailing activities—with the object of getting every part of the business to respond dynamically to changes in the market place.

Mr Marshall says that those parts of the new management system already in place (the whole system is due to be completed by the end of the year) have already begun to give the company considerable competitive advantage; particularly over the many UK companies which now depend almost entirely upon imported shoe supplies.

"Our profitability is rising thanks to the much shorter pipeline which the new management system makes possible. The traditional January shoe sales are an expression of the inefficiency of our industry. The new management system allows us to respond to the winners (the fast selling shoe designs) and get out of losers far more quickly."

Historically, the Norwich shoe industry reached its peak in the 1960s when it employed as many as 10,000 workers. Thereafter it went into a long period of decline as overseas manufacturers led by Italy, Brazil and the Far East mounted what has become a prolonged, highly successful, assault on the UK footwear market.

Norwich's notorious casualty was Norvic Shoes—at the end of, the war, Britain's biggest single shoe manufacturer—which, after a long series of takeovers, crises and rundown of assets, finally collapsed into liquidation in 1981. Another famous name—K Shoes—also used to have a substantial factory in the city but now have only a small presence in the suburbs.

Bally has been in the business of supplying higher quality shoes to the UK market since 1892 when its Swiss parent company first opened a shop in London. The Norwich manufacturing connection was established in the 1930s and the factory became a wholly-owned subsidiary in 1946. Today it accounts for some 10 per cent of the company's shoe production worldwide, specialising in particular in women's shoes.

Since the mid-1970s, Bally has had a policy of gradually building up a chain of retail outlets trading under the Bally name. To date it has acquired 40 shops outright, has exclusive franchises with a further 15 independent retailers, and over 100 special arrangements, including concessions in department stores.

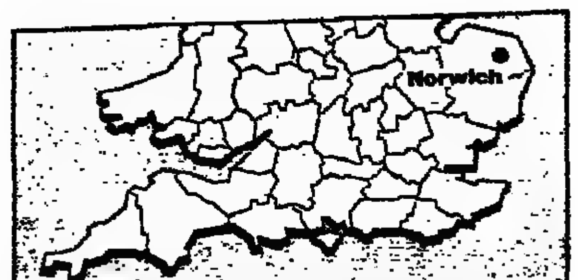
Mr Marshall stresses that the expansion policy is very stringent. "We would rather wait five years for the appropriate High St site with the right neighbours than have the wrong kind of outlet. It is also essential that any site is in a sufficiently prosperous location to have a minimum turnover of £350,000, and preferably £500,000."

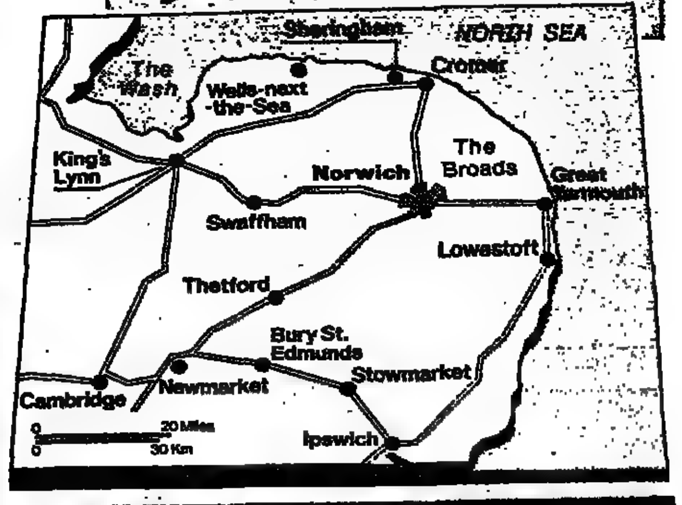
The net result of this policy is that the company is opening on average only 4 new shops a year. It still has another 30 towns and cities where it would like to establish a presence by 1995.

Mr Marshall is confident that Bally's Norwich factory and the other two shoe companies still left with a significant presence in the city—Start-Rite and Van-dal—have the business ingredients necessary to survive and prosper in today's UK footwear market.

"UK-based manufacturers have got to get into areas of the market where fashion and style are important and where the customer is not so price-conscious," he stresses. Bally is fortunate in having always concentrated on the upper end of the market in general, while Start-Rite and Van-dal have continued to prosper by specialising respectively in better quality children's footwear and in wide fitting women's shoes.

"Mr Marshall also believes that UK-based footwear manufacturing units must have the capacity these days to produce at least 10,000 pairs of shoes a week. Otherwise they are not generating enough profit to invest in new technology as it becomes available and long-term, it becomes a matter of how long they will survive.'





Basic facts

Population: city of Norwich 122,300, travel to work area 250,000, county of Norfolk 719,000

Local authorities: Norwich City Council, City Hall, Norwich NR2 1NH. Tel: Norwich 22233. Industrial Development Officer: Mr Richard Packham, Norfolk County Council, County Hall, Martinaeu Lane, Norwich NR1 2DH; Industrial Liaison Officer Mr R. A. High. Tel: Norwich 611122

Higher Education: University of East Anglia, University Plain, Norwich NR4 7TJ. Tel: Norwich 561161. Norwich City College of Further and Higher Education, Ipswich Road, Norwich. Tel: Norwich 66011.

Chamber of Commerce: 112, Barrack St, Norwich. Tel: Norwich 625977. Director: Mr Alex Miller-Brown

Main industries: Food Processing (Reckitt & Colman, Rowntree Mackintosh). Engineering (Laurence Scott & Electromotors, Boulton & Paul). Shoe Manufacturing (Start-rite and Bally Shoes). Chemical Manufacture (May & Baker). Insurance (Norwich Union, Sedgwick). Printing (Jarrolds, HMSO). Window Manufacture (Anglian Windows, Bowater/Zenith) Banking

Communications

By Road	Miles	Kilometres
London	115	185
Ipswich	43	69
Harwich	67	107
Kings Lynn	44	70
Cambridge	62	100

London (Liverpool Street) 1 hour 55 mins

From Norwich Airport
- to Amsterdam 55 mins
- to Stavanger 2 hours
- to Leeds 55 mins
- to Glasgow 2 hours 10 mins
- to Teesside 55 mins

Also other regular inter-city and continental flights

Motor industry

How Lotus streaked away

"THE ACTIVE-RIDE Lotus may have ushered in a new era," one motor sports magazine commented cautiously as the Camel-Lotus Honda recorded successive victories in this year's Monaco and Detroit Grand Prixs thanks to its revolutionary new suspension.

The birthplace of this new era is to be found down a narrow country lane a few miles outside Norwich at the headquarters of Group Lotus which has been based near Norwich since 1957.

This was when the late Colin Chapman, the company's founder, decided to move to a disused airfield in the area, so that he could indulge his favourite hobby, flying, as well as begin manufacture of the first generation of his famous sports cars, the Lotus Elite and Lotus Elan.

In the intervening years, the group has had many ups and downs; the most recent, and probably the most serious, being a period four years ago when Colin Chapman had died suddenly and unexpectedly, motor manufacturers worldwide were losing a great deal of money, and Lotus's bank wanted its money back.

To the surprise of many, Lotus stayed afloat thanks to a refinancing package put together by Mr David Wickins, chairman and founder of British Car Auctions with strong backing from Toyota of Japan and JCB.

Then two years ago Lotus established a relationship with General Motors Corporation, Detroit, since translated into a majority share holding, setting the group on a major expansion course.

This March, the new Lotus board approved a six-year programme involving the investment of £52m over the next five years which says Mr Michael J. Kimberley, managing director and chief executive of Group Lotus broadens the image of Lotus from that of a small British sports car manufacturer into a high technology engineering consultancy business of worldwide significance.

The investment programme, which will be to a large degree self financing, has set a very ambitious growth target of 20 per cent annually. But Mr Kimberley, who has been with Lotus since he joined as an engineer in 1969, believes that a challenging environment is essential for success. In the meantime, he is confident, following a recent recruitment drive, that he has a management team capable of achieving it. "I have now got one of the best top teams in the motor business," he stresses.

Of the £52m in new capital investment, some £30m is being spent on developing and providing manufacturing facilities for two new sports cars. Details of these new models are a closely guarded secret. But one is being described as a "marque entry vehicle for the Yuppie," which will be launched at the end of 1989 at a projected price of £12-£13,000. Customers will be expected afterwards to move on to either a four-seater Excel or Turbo Esprit.

The second model is to be a "supersports car" selling for £80-£90,000 in the UK and \$140,000 in the US. It will enjoy a world-wide market of no more than about 200 cars a year but it will be important for maintaining the Lotus image.

The balance of the investment package is earmarked for further building up Lotus's engineering consultancy activities, which are already responsible for the dramatic jump in the group's turnover from £3m in 1984 to £31m in 1985 and which now account for just over half the group's earnings.

The "active control technology," demonstrated to such dramatic effect in Monaco and Detroit, is the subject of consultancy agreements with no fewer than 11 motor manufacturing companies worldwide, including Volvo and Chrysler.

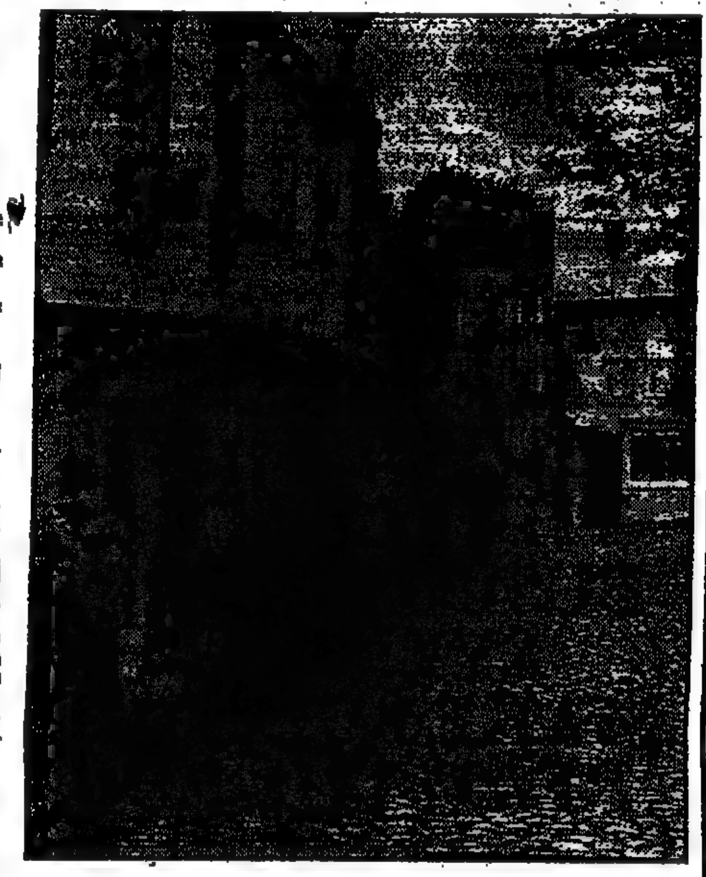
The new system gives vehicles a suspension akin to the sinews and muscles of a downhill skier. Instead of using springs, dampers and roll bars to keep a vehicle upright, the new suspension technology uses a powerful computer to pass signals between, and control, each wheel, so as to keep the vehicle platform horizontal. The net result is significantly enhanced comfort, handling and safety.

Such are the benefits of the new system, Lotus's chief executive is confident that, by the mid-1990s, most middle range cars will be fitted with this type of suspension.

The group has already taken steps to ensure that new system which it forecasts will only add a further £600 to the price of an average car when produced in volume, will be available in adequate quantities to satisfy the market. The company also recently signed a joint venture agreement with Moog Controls of America to manufacture the new suspension to Lotus's *design and development for bolting on to the cars of the future.*

Forecasting the precise impact of this rapid expansion in activity on Norwich is difficult. Since 1983, the number of employees has already recovered from 365 (of which only 43 were qualified engineers) to over 900 of which over 400 are engineers. However, Mr Kimberley is forecasting that staff numbers at the Norwich site will reach close to 2,000 within the next five years, "providing we achieve our very difficult targets," he adds cautiously.

Michael J. Kimberley, managing director and chief executive of Group Lotus with the new Lotus XL


The cobbled back streets of Elm Hill

Commercial property

New life across the river

THE MARKET for commercial property in Norwich has begun to pick up after a long period in the doldrums, boosted most recently by the announcement that Copthorne Hotels, part of the British Caledonian group, has decided to establish a presence in the city's expanding professional district.

Copthorne has agreed to take over the management of the Duke's Palace Hotel planned as part of the St George's Plain redevelopment scheme being undertaken by Norwich Investment and Securities.

Norwich's professional firms have traditionally congregated between Bank Plain and Cathedral Close. The new hotel provides real encouragement for the developers' strategy which is to bring about an extension of this district across the river by converting and refurbishing the Victorian and earlier industrial buildings once occupied by the Norvic Shoe company for a mix of residential and commercial uses.

The new hotel, which will have 140 bedrooms, is due to cost £7.5m-£8m. The scheme overall also envisages 25 residential properties, 13 shops, kiosks, a food court, wine bar and bistro and ultimately some 80,000 sq ft of office space. The first phase of offices has already been completed and has contributed towards a series of lettings which have not only raised morale in the office property market but also begun to lift rents.

International accountants, Cooper and Lybrand have taken up 20,000 sq ft and Allied Dunbar 5,700 sq ft in part of the redevelopment known as The Atrium.

Elsewhere, a further 20,000 sq ft of refurbished accommodation has been taken up by National Westminster Bank for a regional office and another 8,000 sq ft refurbished unit which has gone to chartered accountants, Erst and Whinney.

A clutch of smaller recent lettings include 5,000 sq ft for Municipal and Mutual, 3,200 sq ft for Lloyds Bank, 3,200 sq ft for Standard Life, 3,500 sq ft for Scottish Amicable, 4,000 sq ft for the Crown Prosecution Service and 4,700 for the Department of Employment.

Most have been in existing buildings or parts of buildings built in the upsurge of the 1970s which proved unable to find single occupiers. But according to Mr John Walker of agents Drivers Jonas, which publishes six monthly surveys of the office and industrial property market in East Anglia, there is not now much good space available. "I don't know that the confidence of investors is there yet to undertake speculative developments but there are indications of a continuing demand," he says.

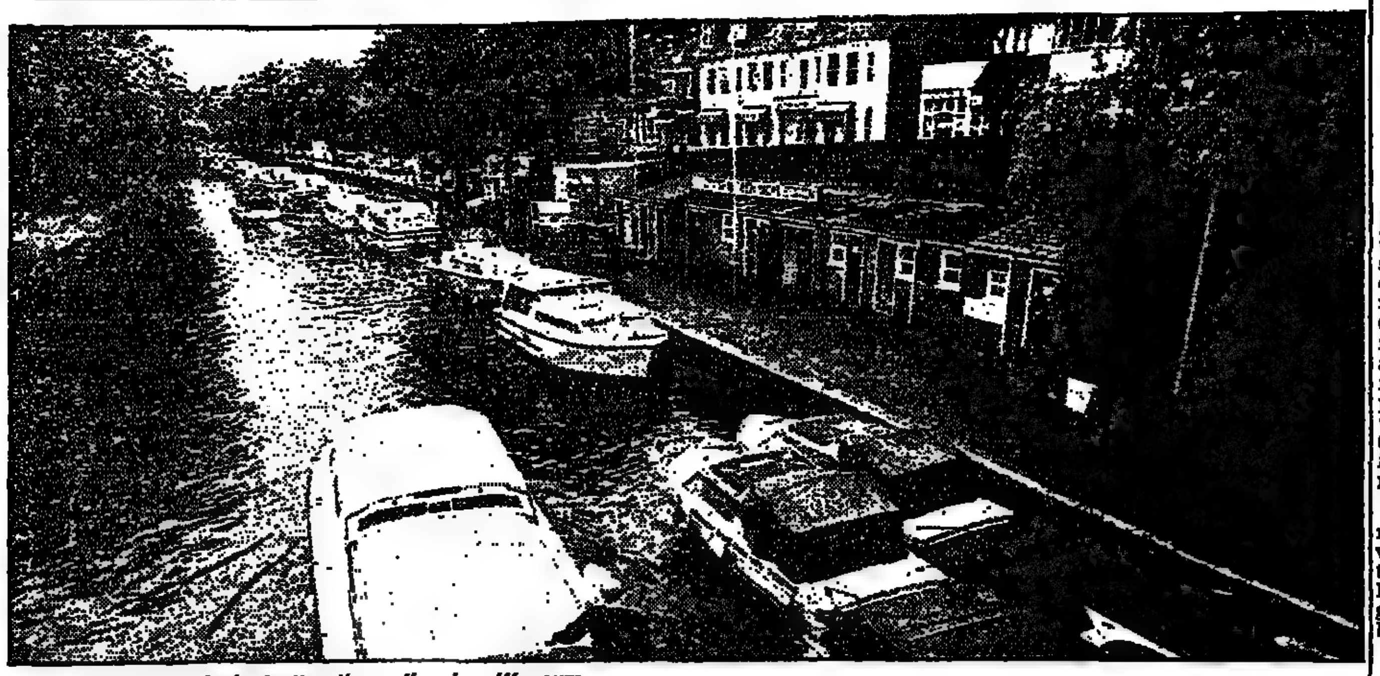
The city's dominant office user is Norwich Union. It already occupies over half a million sq ft of the city centre accommodation, but its needs are growing. It is currently constructing a 150,000 sq ft new office unit, it has bought the Norwich brewery site with offices which it will be utilising, and it is also finalising plans to redevelop the bus station site adjacent to its headquarters building as a mixed office retail development—all to cope with its present phase of expansion.

International insurance brokers, Sedgewicks, on the other hand, although they are currently expanding their presence in Norwich, are able to do so within their existing accommodation.

As recently as a year ago, new lettings of offices were still being made for as little as £5 a sq ft. Now the going rate is reported to be edging into the range £6.50 to £7 a sq ft and it is even rumoured that £7.50 a sq ft has been paid for one accommodation unit which is to be occupied in a year's time.

Industrial rents remain low. Units up to 5,000 sq ft command no more than £2.50 a sq ft. Above that, the going rate is around £2 a sq ft but there are not many buildings or potential tenants above 15,000 sq ft.

Norwich City Council is the predominant industrial landowner in the city and it is only in the past few months that the a large number of advance or speculative units built in the late 1970s and early 1980s, notably on the Bowthorpe Estate to the west of the city, have been taken up.



One of the city's principal attractions, the river Wensum

Tourism

Higher marketing priority

MOVES ARE afoot to launch a Tourism Development Action Programme in Norwich later this year, with the aim of greatly increasing the contribution which tourism makes to the local economy.

After preliminary discussions between the English Tourist Board, the East Anglian Tourist Board, the local authorities, the Chamber of Commerce, and other local representatives, an analysis of the strengths and weaknesses of the City's tourism industry has been set in train.

If everything goes according to plan, the action programme, which will have a strict time limit of three years, in order to *focus the efforts of the public* and private sector on achieving its objectives, will begin in November.

Norwich does not have pretensions to become a major holiday centre. Nor can it hope to emulate say Oxford or Cambridge as a city which attracts overseas visitors. But according to Mr Chris Dormer, the ETB's deputy head of area development, who is closely involved with the proposals, it does have the potential to become another York or Bath, where tourism is an important source of income for the local economy.

By all accounts, Norwich does well in the number of day visitors it attracts to the city's rich cultural heritage. The cathedral attracts over 500,000 visitors annually. The problem is that there are other elements of the modern tourism experience which are missing or underutilised.

The net result is that tourists visiting Norwich—often as a day out from the East Coast resorts or cruising on the Norfolk Broads—contribute, according *to the most recent calculation* (1984) only about £32m annually to the local coffers—a low figure for a city of its size and range of attractions. The comparable figures for York and Bath are reckoned to be £47m and £39m respectively.

Initial funding for the action programme is expected to be in the region of £425,000, drawn from both the public and private sectors. It will have its own director, appointed initially for a period of three years who will oversee the programme and report to the board of a Norwich tourism development agency made up of representatives of all the interested parties.

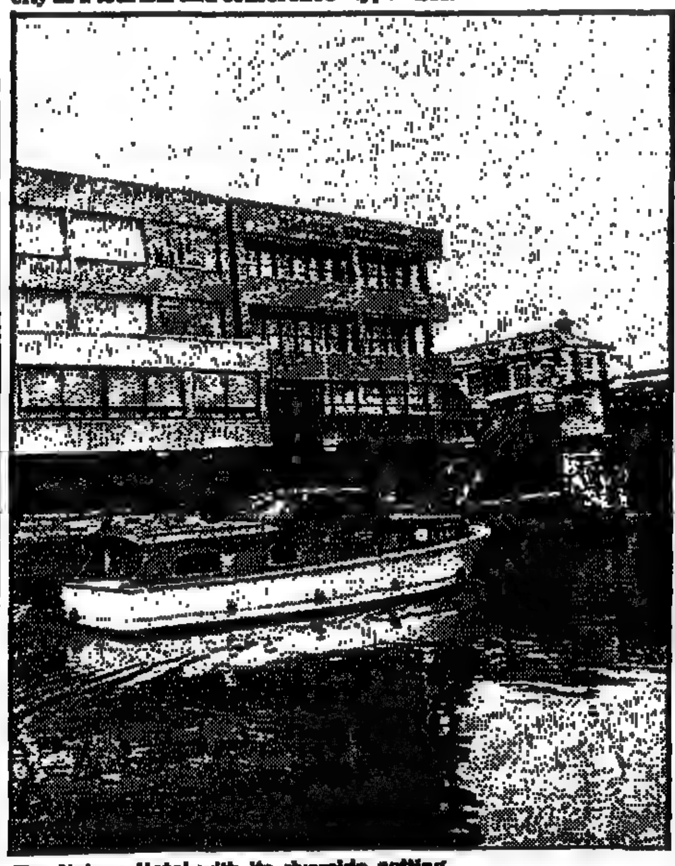
However, this money is seen as a pump priming resource. It will be used, in particular, to identify investment schemes and projects capable of attracting far more substantial sums of capital from the private sector.

Action programme designation will in practice also give specific investment schemes and packages priority access to the grant fund of £12m available through the English Tourist Board, *under section 4 of the* 1969 Tourism Act. Encouragement of an increase in hotel accommodation at both the top and economy ends of the market seems likely to emerge as one priority.

Another key element in the programme is likely to be the setting up of a permanent Norwich marketing bureau, to strengthen the marketing of the city as a tourism and conference venue. The present marketing effort is described as lightweight. The most exciting focus, however, is emerging as a 30 acre complex of underutilised riverside land close to Norwich station, described as a resource of national significance.

A special working party con*sisting of representatives of* the land owners, among them Boulton and Paul, British Rail, Norwich City Football Club, as well as the local authorities and English Tourist Board, has already been established to examine the scope for the radical redevelopment of the site in ways which will add a new dimension to the city from the point of view of both residents and tourists.

These are early days, but the kind of ideas being discussed include a major new pole of attraction for visitors akin to say York's Viking interpretive centre, a major leisure/conference centre along with perhaps a mix of executive housing, office, specialty retailing, and marina-type uses.



The Nelson Hotel with its riverside setting

Retail property

Boost for regional shopping centre

NORWICH'S £50m Castle Mall commercial redevelopment scheme is set to add a new dimension to Norwich as a regional shopping centre. One of those property redevelopments which has been talked about for so long that it seems it might never happen, Castle Mall promises to provide the city with an additional 220,000 sq ft (net) of retail space, an increase *in central area provision of* nearly 15 per cent.

Providing there are no last minute hitches, the scheme which covers nearly 4 acres of the city's central area, once Norwich's cattle market, will get underway this autumn and be completed by the end of 1990.

Also included in the development is parking for over 1,000 cars, plus an area of parkland complete with conservatory as a roof for the whole development which will give Norwich castle the added bonus of a far more attractive setting.

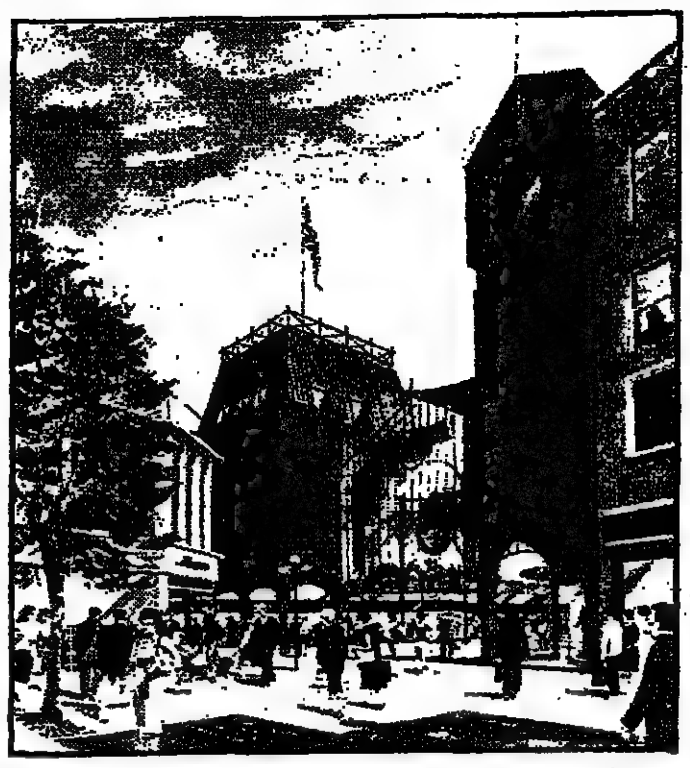
Notwithstanding the scale of the development and the growing pressure for out-of-town *shopping projects*, the developers, Estates and General Investments and Friends' Provident Life Office, are confident that they will have no difficulty in finding tenants for so much new space.

The argument is that the ratio between Norwich's regional catchment population of 500,000 *and the city's retail floor space* provision works out at only 2.13 sq ft per person, which is less than half the average for comparable provincial centres of 4.56 sq ft per person.

Without the additional retail space provided by Castle Mall, fears were being expressed that Norwich might lose out badly as a regional capital to rival shopping centres—notably Peterborough—once long-promised improvements in road communications come to fruition.

A key feature of the Castle Mall scheme is the link it will provide, via a pedestrian arcade, between the current shopping area focused on Gentleman's Walk and Norwich market at one end (which since last November has been closed to traffic) and Bonds Department Store, a branch of the John Lewis Partnership at the other.

The new development will also not be devoted entirely to the large multiples. The initial design envisages speciality shops, fashion and food courts forming an integral part of the scheme.



The White Lion Street entrance to the proposed £50m Castle Mall redevelopment

This pedestrian link will also improve integration of the city centre shopping by underpassing Castle Meadow, one of Norwich's busiest thoroughfares.

Parking should not be a worry. Despite local perceptions to the contrary, according to a Municipal Journal survey, Norwich with over 6,000 city centre parking spaces has the fifth best parking provision out of 30 provincial cities which it examined. And the city council says that 2,700 further spaces are in the pipeline.

The go-ahead for Castle Mall is the dominant but not the only significant development in Norwich's retail property market. The John Lewis Partnership, for example, is adding a 67,000 sq ft extension to Bonds which will make it the largest store in the city.

The Council's policy of opposing large out-of-town shopping schemes, although not 100 per cent successful because of the less stringent attitude adopted by neighbouring authorities, has nevertheless succeeded in persuading Sainsbury to develop—adjacent to the central shopping area on the site of a former coal depot—a 60,000 sq ft superstore with 450 surface parking spaces in Queens Road. This will be completed next year.

The City Council has also given Norwich Union consent to redevelop the site of the present bus station (which is to be relocated) with a mixed office-retail which will enable the adjacent 1960s St. Stephen's shopping development to be expanded.

Marks and Spencer is also set for a major expansion of its Norwich presence after purchasing the space immediately next door which is being vacated by F. W. Woolworth.

Financial and legal services

Attracting inward investment

MR DAVID CARGILL, deputy chairman of East Anglian Securities Trust (East), is adamant about the significance of regional merchant banks. "If a region wishes to prosper it must have its own financial institutions.

"The Norwich economy used *to be sustained by agriculture* and old money, but conditions have changed. Now we have got to attract inward investment. This is happening but other parts of the country are continuing to do it rather better," he says.

East is licensed as a deposit-taking institution and has equipped itself to provide a full range of banking, corporate finance and advisory services to clients in East Anglia and East Midlands.

Restructured two years ago, with shareholdings taken by the Framlington Group, the management team and Mr Cargill, the bank last year made a profit of £120,000 and this year, according to Mr *Richard Valentine*, the Commercial Director, it is heading for double that figure on a deposit of £7.5m.

He counts among the advantages of a regional merchant bank the more creative approach which can adapt in tackling the financial needs of the local business community *compared with the average* clearing bank manager, contacts which can help a business, and the fact that unlike clearing banks, East's management does not change because a bank manager is promoted out of the district—the same person will always be on the end of the phone.

East is in a position to lend up to £300,000 off its own balance sheet. Besides offering a full range of banking services it is also involved in syndicated credits and the monitoring of investments in the region by the City institutions for a management fee.

"If we need specialist advice, we know where to go whether it is locally or in the City of London," Mr Valentine adds.

The increasing sophistication of local investment services also extends to the legal profession. At the beginning of last month, the long established Norwich solicitors firm of Mills and Reeve merged with the Cambridge firm of Francis and Co to create one of the largest solicitors practices outside London.

It reflects a trend being followed in many cities as the commercial and financial work of provincial legal practices increases in scope and sophistication.

The merger creates a practice with 35 partners and over 250 staff with offices in Halesworth, Suffolk and Jersey, as well as Norwich and Cambridge, *designed to provide clients with* the widest range of legal services within East Anglia.

Printing

Open-minded approach to future

NORWICH HAS been a centre of printing and publishing ever since the middle of the 18th century when the strict system of government licensing and privileged monopoly began to be *relaxed. It was then that one* John Jarrold set up a business which grew into Jarrold and Sons, *today* Norwich's largest private printing and publishing company, which is still run by his direct descendants.

Overall, the industry employs some 16 per cent of the manufacturing workforce in the city.

Jarrold is best known nationally for its postcards, calendars and picture guidebooks. *But it is a mainstream* printer of colour magazines and brochures responsible among a wide range of publications, for Vogue and Good Housekeeping and the Littlewoods mail order catalogue.

Other prestigious contracts include the annual brochure order for the second largest tour operator in the Netherlands, one of Europe's leading colour printing centres. It also prints books for Reader's Digest and the Guinness Book of Records.

Around half of Jarrold's current annual sales of some £50m are accounted for by printing. The company also boasts a retail arm with department and office equipment stores in Norwich, Yarmouth, Lowestoft and Cambridge.

Mr Peter Jarrold, the chairman, acknowledges that the printing and publishing industry is currently in a state of unprecedented flux as the microelectronics revolution makes typesetting no longer the printers' prerogative and the scope for desk-top publishing becomes increasingly sophisticated.

"It is going to mean a big change in relationships with our customers. But there is not going to be one simple answer. People who do their own typesetting are still going to need advice.

"We have simply got to be open minded and organise the bringing together of pictures and type in ways that the market requires."

Despite the company's relatively modest size compared with many of today's large printing and publishing houses, Mr Jarrold is confident that it can continue to prosper. "Successful printing demands a lot of service which we can offer because we are compact, have modern plant, and offer the whole range of printing services," he said.

In the meantime the company has invested £2m every year for *the past three years* and this year will be investing a further £4m on new presses and binding equipment which is partly replacement but which will also increase capacity by some 20 per cent. "If you don't have the most modern machinery, you soon fall behind," he adds.

Norwich is also the headquarters of Her Majesty's Stationery Office, the Government's printing and publication service and supplier of stationery. It was relocated from London to Norwich in 1968 and employs some 1,100 people.

HMSO operates as four divisions which these days are managed very much as a business with an annual turnover of £300m, charged with providing a 5 per cent return on net assets.

The Supply Division looks after the stationery and office machinery requirements of the civil service, the Print Procurement Division places work with up to 1,200 printing contractors throughout the UK, the Publications *Division* deals with the publication needs of parliament and government departments, while the Production Division operates the HMSO printing presses, mainly to provide a specialist, parliamentary, security and classifed printing service.

THE ARTS

Hohenems Festival

David Murray

SNUGGLED up against Lake Constance, Switzerland and Liechtenstein, the Vorarlberg is the most westerly of Austria's *Länder*. It almost wasn't: in difficult straits after the Great War, the Vorarlbergers voted to become another canton of Switzerland — but the Swiss said no. Now the Vorarlberg is contentedly Austrian and prosperous, without large cities but boasting a rich cuisine and picturesque, unspoiled landscapes (not too overbearing: mountains in Austria are not permitted to exceed reasonable heights). All English-speaking Vorarlbergers say, charmingly, both "velcome" and "vish" *and* "willage" and "wery," just as Germans in Victorian stories always did: could it stem from one misguided schoolmaster back in the last century?

Several years ago the great *Liedersänger* Herman Prey *chose to mount* a "Schubertiade" here, in the castle of bucolic Hohenems. After several summers Prey slipped away, but the Festival continues in the same spirit, though now it spreads to neighbouring Feldkirch to take advantage of its larger Stadthalle. Schubert is still the principal fare, especially his songs and chamber music; there is no direct competition with the famous "floating opera" festival at Bregenz, 20 minutes away, which happens a month later.

My flying weekend visit was too little to do justice to Hohenems, for the Festival invites a leisurely stay. On about half the days of the Festival there are two recitals instead of one, but there is plenty of time for exploring the delights of the Vorarlberg (and Liechtenstein: when else would you go there?) in any direction. There are now enough British visitors, one would have thought, to prompt the Festival to provide English translations.

Hohenems enlists the services of first-rank artists, most of whom are happy to stick with Schubert, or at least within the Mozart-to-Schumann tradition. This year the violinist Gidon Kremer, with the Orpheus Chamber Orchestra, took Vorarlbergers by surprise with Alfred Schnittke's *quasi una sonata* (newly worked up from his 1968 Sonata no. 2 for violin and piano). It is a "sonata about the impossibility of writing a sonata" — not a Hohenems kind of exercise, and very jagged: the audience manfully applauded Kremer and the efficient young American orchestra. Schnittke's elaborate use of the B-A-C-H motif was perhaps reassuring, and anyway Kremer had already established his Schubertian credentials with a forgotten Rondo and Polonaise, both deftly and wittily delivered.

For Kremer the Orpheus played admirably (Londoners heard that half of the programme repeated in the Barbican last Saturday) — but they pride themselves on being basically conductorless. In Schubert and Mozart that proved imprudent. For all the Orpheus keenness, their Mozart Symphony no. 29 — the delectable little A major — was routine and heavy-footed, their Schubert Fifth not only graceless but patently ill-balanced. Why should such bright young players not expect to gain by the attentions of a seasoned conductor?

For a morning recital in the handsome Rittersaal of the castle, the pianist András Schiff offered a wholly *gemütlich* programme of minor Schubert, and demonstrated just how *things* like the German Dances should be done: with lively elegance and affection. He made a tiny *tour de force* of the snappy little "Grazer Galopp" (and recycled it as an encore). The posthumous Four Impromptus D. 935 are not really "minor," only deceptively gracious; Schiff made rather more of their lyrical feeling than of their concealed tensile strength, but nobody would carp at playing of such civilised appeal.

The courtyard of the Hohenems castle sports a temporary roof at Festival time, so as to accommodate recitals rain or shine (and the Vorarlberg has shared British weather this June). There Francisco Araiza sang, reminding us blandly that not all first-rank performers are serious Schubertians. (Could Hohenems be tilting a little toward the former?) He did nothing in bad taste — indeed, he was so respectfully cautious with Schubert as to damp down his own attractive tenor ring until near the end. And one song sounded much like the next: melodious, fluent, innocent.

What was missing was any firm grip on word-sense, with any concomitant effect on phrasing. Though many sins are committed in the name of "interpretation," Araiza was simply pre-lapsarian; anyone who bewails the over-sophistication of postwar Schubert singing might have been brought up short by his naive readings. It was typical that he could follow a limpid "Ständchen" with the deep, dark "Aufenthalt," which found him utterly out of his depth. In his last encore he shyly displayed his first idea of the evening — a sudden *ritenuto* in "Der Musensohn"—and it was not good. He had a faithful, sensible accompanist in Jean Lemaire (a more challenging partner might have been an advantage), and for "Auf dem Strom" a fine horn-player who *does* know what Schubert is about, Radovan Vlatkovic.

Back in Feldkirch, Brigitte Fasbaender's formidable account of *Winterreise* put Araiza's sketches quite out of mind. It was the first time she has performed the cycle in Europe, I believe, and there were a few rough edges: the vehemence that broke into "Frühlingstraum" with electrifying effect was too unbridled for the good of some later songs. In gentler songs she offered a bleak warmth that was extraordinarily affecting—in "Der Wegweiser," perfectly sustained, a resigned "Wirtshaus," and a final "Leiermann" with a last note that hung in the air.

If any mezzos are to perform *Winterreise*, Miss Fassbaender is certainly among the elect. Without sounding mannish, she used her dark timbre to toughly honest purposes (an over-sweet *Winterreise* would be intolerable), and as with other cycles she seized the words and the whole dramatic shape with passion. *Winterreise* ought to be harrowing as well as elevated, and it was. The young pianist Markus Hinterhäuser—whom she treated, rightly, as an equal partner—was alert, controlled and imaginative (and he has scrupulous fingers); we shall hear much more of him.

Award winners

Cartoonist Ralph Steadman is the first winner of the £3,000 W. H. Smith Illustration Award for contemporary book illustration with his work for *I, Leonardo*.

Soprano Fiona Cameron has won the International Young Concert Artists' Competition of Royal Tunbridge Wells. The prize includes £500 in cash and a recital at the Wigmore Hall.

This year's winners of the Peter Stuyvesant Foundation Scholarships to the National Opera Studio are Margaret Preece (soprano) and Helen Hessey-White (mezzo soprano).

London galleries/William Packer

Rich variety of summer choice

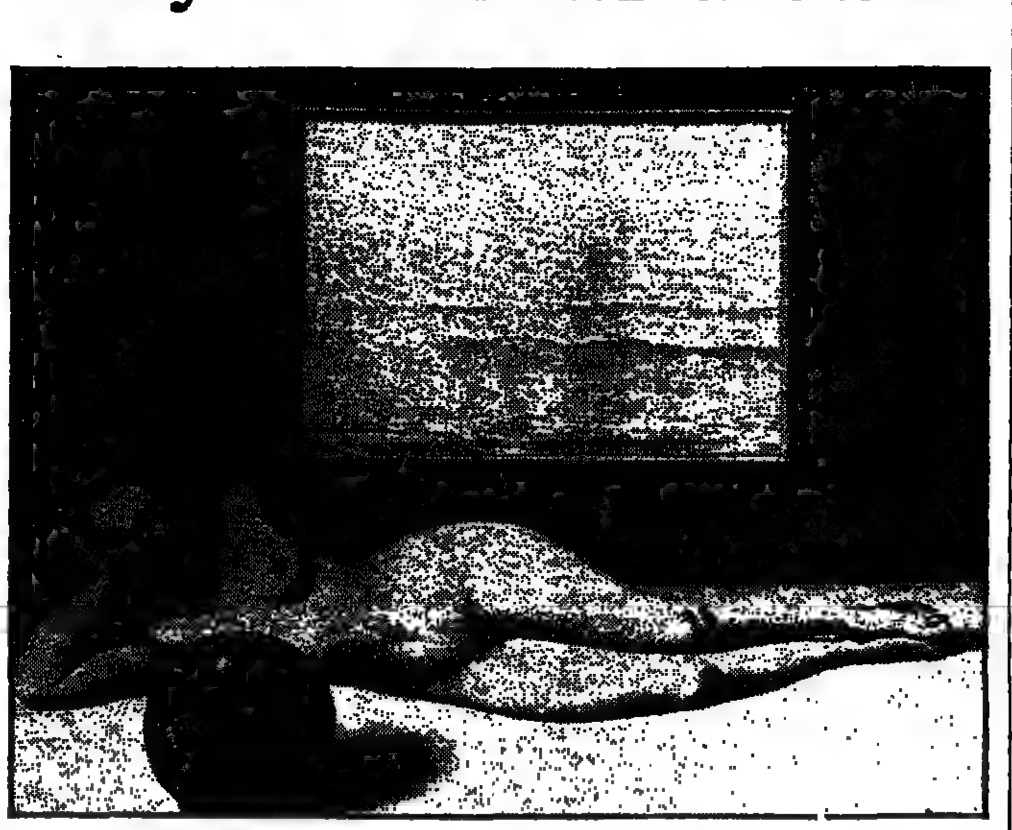
Thomas Gibson has been long established as one of London's major dealers in modern and old masters, but he seldom put on special exhibitions. So, tucked away as he once was on the upper floors of a house in New Bond Street, his gallery was seldom visited.

Now he has moved back up the road a little to 44 Old Bond Street, an address which gives him gallery space on the ground floor and in the basement, as well as a more obvious presence and visibility. He plans to put on special exhibitions from time to time. But plans, especially Gibson's, have been known to change. His inaugural show (throughout July) does offer us a remarkable sample of the kind of work in which he deals, both in range and quality.

The list of names alone is impressive—paintings by Degas, Gwen John, Vuillard, Bonnard, Picasso, Matisse, Magritte and Freud; drawings and watercolours by van Gogh, Rembrandt, Klee, Gainsborough, Seurat, Rouault, Dubuffet and Augustus John; and sculpture by Degas, Moore and Giacometti.

But rather more impressive are the particular works—the Picasso, a major example from 1937, coincident with Guernica, of a Seated Woman, jagged and vivid against the bright yellow ground; the Magritte reclining nude, again a major work from the mid 1930s, dreaming in the shadows of the bright blue sea; the 1874 portrait of Eugène Manet, a closely and tenderly realised image of him sitting on the grass in a broad green landscape, is one of the great works of Degas' early middle age; the Gwen John (c 1912) of a young woman in a red shawl, loosely, almost tentatively worked, yet so allusively monumental, is simply one of the loveliest paintings by one of our greatest artists.

And there is the Bonnard, a lush small canvas of 1924 of a basket of fruit. There is rather more of Bonnard to be found elsewhere, at JPL Fine Arts' handsome new gallery at 26 Davies Street, W.1, next door to the old basement premises. The gallery has acquired a major collection of Bonnard's drawings, covering every period of his career from 1893 until 1946. A selection from this very collection was toured by the Arts Council some years ago but, exquisitely memorable as it was, it could only offer an *hors d'oeuvre* to the full meal. JPL is giving us two courses, the first (until July 31) consisting of the nudes and figures, still lifes and interiors; the landscapes, seascapes and exterior subjects follow in the autumn.



"La baigneuse de clair au sombre," c 1935/1936, oil on canvas, by René Magritte

The Mayor Gallery which, I hasten to add, remains exactly where it was in Cork Street, has for its special summer show (until July 31), in association with Timothy Baum, a small and elegant study of Dada and Surrealist Collage between 1916 and 1950 *The Golden Age*. To call it "a golden age" is rather to overstate the case, for had cheap printed visual matter been readily available before the 20th century, no doubt Collage would have been with us rather sooner.

But the essential quality of Collage, which makes it so important to modern art, is its inevitably fractured and dislocated surface. Ever since the Cubists' adventitious use of extraneous material, the integral surface of the painting has no longer been an intention as a choice. But it was soon noticed that with this disintegration, the more so if it was associated with figurative or descriptive imagery, there came a distortion of the pictorial space that was as disorienting as it was exciting.

What we get at the Mayor is the "collagery" of these gleeful image-makers, ambiguous, psychological, often erotic and very funny. It is excellent stuff in itself and quite delightful, but it is not the whole thing.

"Nu de dos au miroir," c 1920, by Pierre Bonnard

Romeo and Juliet/Coliseum

Clement Crisp

I have lately been looking at film of Ulanova as Juliet with the Bolshoy Ballet, a recording from the 1950s. With the simplicity of genius, Ulanova moves into her Romeo's arms, showing an incomparable sweetness of feeling at the ball, and is held in an ecstatic pose above his head. The moment seems to last forever, as love sweeps over her, and we know Juliet, truly and beautifully.

I am not using Mme Ulanova's performance to belabour the Nureyev staging of *Romeo and Juliet*, with which London Festival Ballet opened its summer season on Tuesday *night, but it has to be said* that there seems not one passage of calm in it when the lovers' characters, and the force of their passion, can speak to us.

Nureyev's is the most frantic, the most busy response to the Prokofiev score that I know. It is no accident that within the first minutes of the action three theatrical coups have been played — the macabre dice-game; the dropping of a silken curtain; the passing of a laden plague cart — each one of which would satisfy a less fraught production for a whole act. But Nureyev's manner is to drive vivaciously and inexorably on through the drama, giving us brilliant insights into Renaissance Italy maybe, but somehow losing his hero and heroine in the mêlée of fights, banners, roisterers and assorted moments of Veronese high-life.

The lovers were taken Tuesday by Andria Hall and Peter Schaufuss, in careful readings which touched me not at all. Steps abound, and then more steps, and emotion flees in the face of yet another *rond de jambe* or little jump. It is activity leading to further activity, and somewhere under all this vitality there are two characters waiting to be seen. Both artists were on their best technical form, but at no time did the busy chatter of steps seem to match anything of Shakespeare's poetry.

Nureyev himself was Mercutio, very energetic, and plainly delighting his public. His death scene, played on a knife edge between anguish and Mercutio's gad-fly self-mockery I thought the best thing in the evening—for once, a character demanded and held our sympathy. Very impressive the appearance of Johnny Eliasen, distinguished guest from the Royal Danish Ballet, as a saturnine, vicious Tybalt, marvellously able to establish mood with economy of gesture.

Rather predictable the rest of the company performances, where there does not seem to be enough weight to the characterisations to stop them from being carried away on the torrent of the staging. The costuming is starting to look rather second-hand; the Ezio Frigerio set remains extremely handsome and efficient.

Twelfth Night/Stratford-upon-Avon

Michael Coveney

"Which country, friends, is this?" asks the shipwrecked Viola girl obviously immune to the charms of travel brochures of the Greek islands. The new RSC production in the main house at Stratford-upon-Avon is palpably set on somewhere like Mykonos, which would go some way to explaining for those of you who are familiar with life on Mykonos all the sexual confusions and cross-gender shenanigans that follow.

Kit Surrey has provided a dinky Greek island setting of sun-baked white walls, shadowy ginnels, exotic arches and tempting stairways. You do not have any sense of shifting locations but there is a predominant sense of a place suitable for holiday madness and sexual escapade.

The steward Malvolio supplies Antony Sher with his second assault this season on a grim harbinger of religious orthodoxy. After his sacrificial, Hebrew-chanting Shylock we have the comic reverse image of a prim, light-footed second cousin to Archbishop Makarios. This Malvolio trips stealthily into view lunging at the walls to open a little inset tabernacle of candles and rosaries before departing breathlessly but unbowed in pursuit of the graceless Cesario. This is a performance that carries tremendous comic energy and amounts to a prime target for the farcical plot developments engineered by Sir Toby and Maria.

While the heat rises and the cicadas (notable on Paul Slocombe's soundtrack) play havoc with emotions all round, Sher's Malvolio sticks to his guns until they are turned upon him. He interrupts the revels like a petrified stick insect, a thin little beetle with his hair and beard trussed in a two-piece hairnet; he stalks Olivia like a demented Greek orthodox gnome hissing out his uncomfortable smiles in a vaguely obscene flash of yellow garters.

There are no hedgerows or box trees mercifully enough in this all-white Illyria — Sher's letter-reading downfall is gleefully witnessed from illuminated windows. When he goes mad he goes the whole hog. The strongest section of Bill Alexander's production is, in fact the riveting duet between Sher's balefully shattered dunce harnessed to a prison stake and the taunting surreal Sir Topaz of Bruce Alexander's (no relation) beautifully executed clown in disguise. There is a slight problem locating this beached and cynical Feste in Olivia's household but Mr Alexander offers a wonderful display of jaundiced foolery, poisonously melodic singing and casually inflicted cruelty.

Twelfth Night is a strangely disturbing comedy because most of its characters are undergoing *emotion change in experimental* form. Marilyn French has described them as "floundering *in feeling*," not a sensation one takes from the disappointingly gruff Viola of Harriet Walter or the curtly imperious Olivia of Deborah Findlay. The sexual vibrations are never sent twanging in their scenes with Donald Sumpter's laid back, virtually horizontal Orsino. It always amazes me when contemporary productions miss out, as does this one, on the obvious sexual interplay of the cross-gender comedy. Miss Walter offers no improvement upon a wonderful androgynous junior housepainter with which she first came to notice many years ago in Joint Stock's *The Ragged Trousered Philanthropist*.

Love laying siege to a house in mourning is replaced by images of amatory absurdity. The boy who creeps in at Olivia's eyes is blown out again on the operatically sustained belch of Roger Allam's breezier, juvenile Sir Toby. Disappointment and spiritual ruin are confined to the spindle-shanked Aguecheek of David Bradley, a performance I am inclined to rank as the best in the role I have seen.

Shauna Rolston/Wigmore Hall

Dominic Gill

Shauna Rolston is a young Canadian cellist who has won a number of commendations and prizes, and has studied with Pierre Fournier and William Pleeth at the Britten-Pears School in Aldeburgh, while laying the foundations of an already substantial career in North America. Her Wigmore recital on Tuesday night — a solid programme of sonatas by Debussy, Brahms and César Franck — was her first in London.

Miss Rolston makes an exceptionally rich cello sound, relaxed in its production, broad and cultivated: her sonority throughout the evening was an unfailing pleasure. Interpretatively, she proved a little more quirky and more nervous. Everything she played was projected with impresive authority and confidence, but always a shade overinflected, as if no valid point might be made (or as if it might somehow be overlooked or misunderstood) if it were not delivered at full and unrelenting expressive volume.

Each performance, and especially the Brahms E minor sonata, started out with an impressive momentum, and became quickly exhausting — after a page or two, busy to bursting, of the Brahms allegretto, one longed for just one expressive line of perfect simplicity and clarity. Miss Rolston's vitality and energy, and her technical prowess, were never in doubt; but expressiveness is also learning how, and where, to relax. She really must break the habit of dropping her left hand to her side every time she plays an open string: irritating mannerism. Her accompanist Peter Donohoe was a model of consideration, tact, and powerful rhythmic support.

Saleroom/Antony Thorncroft

Masters hit and miss

While two Old Master Drawings topped the £1m mark at Christie's earlier this week, only one of the fine group of Old Master paintings on offer at Sotheby's yesterday managed to make £500,000. Market taste has gone for small and delicate drawings rather than the large and powerful oils.

What was expected to be the top lot, a pair of decorative allegorical works by Jean-Baptiste Oudry, of Europe and Asia, sold for £418,000, just below forecast, to the New York dealer Spencer Samuels.

One of the most interesting paintings on offer, an early work by David very much in the style of Fragonard, a portrait of the actress Madamoiselle Guimard as Terpsichore, was also at the bottom of its estimate, at £220,000, while another important French painting, "Spring: a pilgrimage to an enchanted island" by Watteau, was unsold at £258,000.

All told, the auction brought in £6,845,300, with a fairly high 23 per cent unsold. It was a strange sale, with certain works being fiercely competed for while others, of great historical acclaim, fell below their reserves. In some cases it was the sheer size that deterred buyers, especially the Duke of Hamilton's "The expulsion of the unwanted wedding guest," painted in 1622 by Fra Semplice da Verona and measuring 92½ inches by 212½ inches, unsold at £75,000.

There were some pleasant surprises for sellers at the auction, not least the price of £528,000 (as against a top estimate of £300,000) paid for "Fortune with a Crown" by the early 16th century Italian artist Guido Reni. This influential picture has been in the UK since 1801.

Also way above estimate was the £209,000 paid for an estuary landscape at evening by the 17th century Dutch artist Aert van der Neer. It was one of 22 paintings that came to the sale from the collection of the Earls of Haddington. Another, a rare mid 15th century portrait of a gentleman, was just on target at £115,000. Sotheby's has placed the painting to Aix in Province, which was a flourishing art centre at the period. It was bought by the London dealers Colnaghi.

Another Haddington painting, of a cleric holding a scroll by Amico Aspertini, more than doubled its estimate at £343,000, selling to the London dealers Agnew. Aspertini is a rare Bolognese artist of the early 16th century. An allegory of charity by il Cappuccino made a hefty £373,000 and "Men fishing in a stream" by Zuccaro doubled its top forecast at £247,500, to the Walpole Gallery.

There were disappointments, although the major setback, the failure of a very small tondo portrait by Raphael of his friend Velerio Belli, to find a buyer was resolved shortly after when it was sold privately for £220,600. Raphael painted it in 1517 on a wooden box lid measuring just 4¾ ins in diameter and it is unique in the artist's *oeuvre*. It was acquired by the late Lord Clark in the 1920's and sold by his executors. A Rubens oil sketch of "The Triumph of Henri IV" was also bought in.

Two important Venetian paintings failed to find buyers — a Virgin and Child with St Peter and a martyred female Saint, by Gentile Bellini, and "The dispute between Poseidon and Athena" by Bastiani.

Feigen, the New York dealer, bought a circular panel of the Prophet Isaiah, painted around 1409 by Lorenzo Monaco, for £275,000 (as against a £50,000 top estimate) and "The mystic marriage of St Catherine" by Lorenzo Costa for £99,000, near the bottom end of the estimate.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 3-9

Exhibitions

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericianum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

PARIS

French Masters of the 19th and 20th century: From Toulouse-Lautrec's Moulin de la Galette to a rare Gauguin with a landscape of Brittany seen through a luxuriant prism of colours; from a powerful flower composition by Nicolas de Stael to Cezanne's protrait of Madame Cezanne, from a pastel coloured Picasso still life to the most frequently reproduced Degas dancer, the traditional spring exhibition at the Schmitt Gallery can boast not only an exceptionally long list of great names of the period it covers but exceptional quality as well. Galerie Schmit, 396 Rue Saint-Honoré (42603636). Closed Sundays and lunch times. Ends July 18.

LONDON

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkiness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

SPAIN

Madrid, Cubist Picasso, 1907–1920. 132 drawings and paintings inherited by Picasso's granddaughter Marina. Pierre Daix, an expert on Picasso's art, believes that this show contributes to illustrate the richness and variety of artist exploring cubism and highlights his 1907 notebook with sketches on Les Demoiselles d'Avignon. Fundacion Caja de Barcelona, Velazquez 63. Ends July 31.

ITALY

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empie style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

NEW YORK

IBM Gallery: 96 paintings of pre-modern Viennese art from the second half of the nineteenth century includes works by Klimt, Romako and Makart; and 120 drawings show proposed and actual Washington government buildings. Ends July 11.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

TOKYO

Kandinsky: 100 works on loan from collections at museums in Munich, Paris, Moscow and New York. National Museum of Modern Art, Kitanomaru, near Takebashi Station. Ends Aug 9. Closed Mondays.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Thursday July 9 1987

Terrorism in Punjab

THE KILLING of more than 70 Hindu bus passengers in India's troubled northern state of Punjab this week shows that India has joined the growing list of countries which have to face long-term terrorism as part of regional crises, with no prospect of easy or quick solutions.

The Punjab is by far the worst of the many ethnic, religious and territorial eruptions to hit India in its 40 years of independence. Its seriousness has not diminished with time, and it has introduced terrorism into a country well used to absorbing more transitory mass violence and protest.

The fault partly lies with Mr Rajiv Gandhi, Prime Minister, and Mrs Indira Gandhi, his mother and former Prime Minister, who was assassinated at the end of 1984 by Sikh security guards. Mrs Gandhi used the first simmerings of Sikh religious extremism at the end of the 1970s to try to destabilise the Sikhs' Akali Dal party and she could not cope with the result.

Mr Gandhi broke new ground with a peace accord in the summer of 1985. Subsequent state elections should have been an historic turning point. But, as has been seen more recently in several other areas, he lacked the political acumen, administrative skill and staying power to see through his important achievement.

Political rivalries and corruption among the Sikhs overwhelmed the initiative. The elected Akali Dal state government split, leaving Mr Gandhi backing a weak group. Security operations were undermined by political interference. The extremist forces re-grouped and re-established their centres of power in the Amritsar Golden Temple and elsewhere. Mr Gandhi failed through inadequate political management to keep his accord on course.

Finally, two months ago, Mr Gandhi reintroduced presidents' rule, suspendind the state government in a move which was seen as being more connected with pending elections in the neighbouring state of Haryana than the Punjab situation itself. But the violence has escalated.

Action is needed in three areas. First, as is happening, the police and other security operations need to be stepped up to try to capture the worst terrorists. Second, which is not happening, there is a need for a political iniative to try to win over the population with economic, religious and other concessions, such as sharing river waters.

Most important of all, there is an urgent need for widespread economic development to bring thousands of disgruntled youths back into mainstream Punjab life. Frustrated by a lack of expansion in what is India's most prosperous agricultural state, the young have followed the lead of charismatic religious and other extremists. Only when they see a more promising future will the spirit of the 1985 agreement be revived, together with the prospect of a permanent peace. That could take a long time.

The NUM's need for leadership

THE National Union of Mineworkers seems trapped in the unenviable position of choosing between two ways to co-operate with further job losses in the British coal industry. The union's dilemma will intensify in spite of the vote at its annual conference this week against six-day working.

If the union does not agree to introduce flexible, six-day production, the industry will not cut its unit costs enough to allow it to compete with imported coal from China and Colombia, which a privatised electricity supply industry will want to buy. So without flexible working the industry will lose jobs and the union membership, through loss of market share.

If the union does agree to introduce new working practices, the industry seems likely to shed jobs through higher productivity. Unit costs will not fall enough to allow British Coal to cut prices to win new markets and thereby boost output

The task for the union's leadership is to engineer a more favourable choice for its members. It is a task the leadership seems unwilling to accept. Mr Arthur Scargill, the union's president, is set on a course towards total opposition. This threatens not only job losses but the loss of the union itself, as British Coal turns to other unions or non-unionised contractors willing to introduce the changes it needs.

Leaders of the NUM's constituent areas, however, will return from their conference to start local negotiations on flexible working as a way to win investment and jobs in the short term.

Areas such as South Wales, Scotland, Durham and Leicestershire believe that a stake in the coal industry of the future is a fair return for agreeing to flexibility. The obvious task for the union's national leadership is to marshal these ad hoc local negotiations into a more coherent approach which offers higher benefits for the union's members.

What could the union bargain for in return for flexibility? The list of possible gains is long: phased cuts in annual working hours; an agreement on when new capacity is brought on stream; salaried staff status for miners; early retirement; job sharing; retraining for miners made redundant and perhaps a commitment from the corporation on increasing the amount it is prepared to invest in creating jobs outside the industry.

The very obviousness of the list makes it all the more surprising that no one in the union is yet publicly proposing such an agenda. If those with influence on Mr Scargill do not oblige him to take up such an approach, it would be an indictment of the NUM leadership and a damaging precedent for trade unionism as a whole.

Arts funding and market forces

THE BRITISH arts world had started to accept Mr Richard Luce, Minister for the Arts, as a rather anonymous, and probably temporary, fact of life; a pale shadow of predecessors such as Mr Norman St-John Stevas and Lord Gowrie. Yesterday Mr Luce showed his claws. With the Prime Minister's re-appointment in his pocket, and five years of apparent stability ahead, he lectured the arts establishment on the realities of the new political and social climate. He chose as his audience, at Newcastle, the Council of Regional Arts Associations, men and women who owe their livelihoods to the growth in art subsidy in recent decades.

They now know the party is over. The Government will just about maintain its spending on the arts, increasing the budget by 2 per cent annually over the next three years, but for real financial growth arts organisations must look to greater efficiency, higher box office receipts, and both private and commercial sponsors.

The Minister even put substance on his threats—in future funding would be geared to incentives: the more money arts groups succeeded in raising by their own initiatives, the more they could expect from the Government.

The policy has not yet been thought through—it could destroy the autonomy of the Arts Council and the arm's length principle over funding which has traditionally governed the approach of the Conservative Party to the arts—but the implications are plain. The arts must respond to market forces.

It is the old argument: why should the majority who hate opera subsidise the relatively wealthy who can afford to buy tickets for Covent Garden? Yet every civilised nation accepts that the arts and in particular opera, are very expensive to put on, and need government support. Most European nations spend much more on the arts than the UK and are happy to do so. Exclusive reliance on the market place could lead quickly to a diet of the safe and the familiar, with few backers for the new and the challenging.

The Arts Council, which will have to administer the fresh approach to the arts, is broadly in sympathy with the Minister's ideas (while campaigning for more cash), and it has already brought in "challenge funding" in its efforts to keep alive the arts in those regions which saw the loss of metropolitan councils.

Few would wish to featherbed the arts, but some means must be developed to encourage the experimental. The South Bank Board in London seems to be adopting the right approach by offering subsidy to orchestras which play unusual works, of minority appeal, while withholding it from more popular concerts.

Robin Pauley finds Fiji in a state of political and economic paralysis after the army coup

Paradise postponed

FIJI is still paradise. But it is paradise spoiled. And if the current political and economic crisis persists for much longer it will be paradise lost.

The shimmering white sands, indigo lagoons, the reefs and whispering palms are as they were. Castaway Island, Treasure Island, Bounty Island and Turtle Island remain among the world's most secluded hideaways. You can still stay in one of just 14 bures (traditional thatched Fijian cottages) on the beach at Toberua Island and walk the circumference of its lush four acres, through hibiscus and frangipani, in about 20 minutes.

Not surprisingly, tourism has become a key source of foreign exchange in such a setting, multiplied through an archipelago of 300 islands, two-thirds of which are uninhabited. But at 10 am on Thursday May 14 the escapist dreamland was shattered.

A lieutenant-colonel, Sitiveni Rabuka, led 10 armed and masked soldiers into parliament to seize power, arresting the newly elected Cabinet of Dr Timoci Bavadra.

Soldiers, guns, tension and instability are not what visitors look for in the South Pacific islands. Tourists have deserted Fiji in their thousands, brining half the economy to a near standstill as they chase their dreams elsewhere — Tahiti, Hawaii, the Barrier Reef and Whitsunday Islands. There is no shortage of alternatives.

Simultaneously, the economy's other mainstay, sugar, has been halted by the Indian community which owns 90 per cent of the farms and has refused to harvest in protest at the coup.

The coup came at a time of rising prosperity: foreign reserves had reached record levels, foreign investment was rising and diversifying, tourist numbers were climbing and even the annual cyclone failed to arrive. "Instead these lunatics gave us the worst cyclone we've ever had," says an embittered Indian businessman in the capital, Suva. His small chain of shoe shops is operating, like most small businesses, at about 20 per cent of normal level.

The trigger for the coup was the election of Dr Bavadra's coalition on April 12. Dr Bavadra, a Melanesian physician, leads the Labor Party, attracting Indian and poorer Melanesian support. His alliance with the Federated Party, dominated by the Indians who now slightly outnumber Melanesians in the population of 700,000, unseated the Alliance government of Ratu (Chief) Sir Kamisese Mara which had ruled since independence from Britain in 1970.

The defeat has had two key effects. It has shown the traditional Melanesian chiefs in the light of feudal chieftains more concerned with power than with western-style democracy. It has also exposed a long simmering racial divide which had remained largely contained in Fiji so long as the Melanesians—not the Indians, already successful in business and commerce—retained political and legislative power.

Ratu power: Fiji's feudal chieftains—more concerned with power than democracy

The role of two personalities remains crucial as the crisis deepens: Ratu Mara and Ratu Sir Penaia Ganilau, the Governor General.

Ratu Mara's international credibility has been seriously undermined since his election defeat. He immediately joined the coup leaders' provisional council of ministers and, when that was disbanded by Ratu Ganilau, he made no effort at reconciliation. He has failed to respond to at least three requests from Dr Bavadra for face-to-face talks to try to solve the impasse. He has recently been heard muttering privately about a republic and is openly supporting moves to abandon the democratic constitution

Ratu Ganilau is in a tricky corner. As Governor General and chief of Rabuka's tribe, he was able with an important shove from the Chief Justice, to get the military to withdraw and allow him to rule by executive power under a state of emergency.

However it is clear that he is operating only with the consent of Rabuka. This means proposals tabled by Ratu Ganilau are inevitably loaded against the Indians and so not acceptable to them or Dr Bavadra.

Ratu Ganilau is establishing a committee to reform the constitution to "protect" Fijian interests. Dr Bavadra has rejected the offer of four of the 16 seats on that committee—not surprisingly as this guarantees a 75 per cent majority against him.

Current speculation is that the committee will recommend reserving 40 of the 52 seats in parliament for Melanesians.

Dr Bavadra and the Indians will have none of this or anything else that smacks of racial gerrymandering. "Why should we. We might as well have no seats. Once they have that sort of inbuilt power they'll legislate for Melanesians to have a right to a share of every business, to be on every board, and to tax us cripplingly because they want what we have created," says an Indian whose immigration application, together with hundreds of others, is already lodged at the New Zealand High Commission.

All these developments have called in question the independence of the Governor General who has had to sacrifice his impartiality to prevent the military from losing patience and installing a junta. However, there is no evidence that Rabuka had thought his coup through beyond the first weekend, realised the speed with which the economy would falter, or knew how he was going to run the country against Indian resistance.

The result of this is that in eight weeks an idyllic state has become an idle one. Unemployment has soared as the sugar industry has been shut down until the end of this month. This was partly caused by sabotage at the crushing mills but mainly by lack of cane because of the Indian farmers' boycott.

The sugar, already damaged by drought, is deteriorating in the fields. If the harvest does start in August, two months late, it will be difficult to salvage much of the crop. About \$140m (£86.4m) or half Fiji's foreign exchange revenues are at risk.

Tourism has collapsed. Leading hotels have had below 10 per cent occupancy on some days and others are closed, with many hundreds of workers laid off. Cheap holiday offers started this month but so far there are very few takers.

Before the coup Fiji had a balance of payments surplus, low inflation and rising foreign investment. Foreign exchange reserves have fallen by a third to \$113m since the coup, property values have dropped between 30 and 50 per cent, foreign investment has dried up and small businesses have started to fold.

The Reserve Bank imposed exchange controls to try to stop capital flight and this week the Fiji dollar was devalued by 17.75 per cent which will shore up the reserves temporarily

With sugar and tourism revenues choked off and Rabuka keeping reservists at Nabua army camp on daily pay and good food at an estimated cost of \$70,000 a day, the country's economy is spiralling downwards more quickly than most Fijians seem to realise.

However, hardship is beginning and it is hitting the Melanesians first. They have lower incomes, lower savings, poorer personal cash management and a weaker network of family support than the Indians. The Indians know they will not be destitute first.

The Melanesians know this too, which is why tempers have started to snap and racial violence flares sporadically.

It is now inconceivable, with Melanesian eyes set on guaranteed power, that a return to May 13 is possible. But nothing less than a serious move towards compromise, led by a Melanesian with the standing of Ratu Mara, seems likely to neutralise the army and avert economic and possibly social collapse.

"The Ratus will not compromise. Our ancestors came here to farm sugar which the natives could not and cannot do. We have worked hard to put this country where it is. We have been here 140 years, longer than many people's history in Australia, New Zealand and the US," says a wealthy Indian jeweller. "Yet we are still not called Fijians after all this time. We are still Indians to them and they will not accept us."

THURSDAY BOOK REVIEW

Perdition
By Jim Allen
Ithaca Press;£4.95

The Falklands Play
By Ian Curteis
Hutchinson;£3.95

Tumbledown
By Charles Wood
Penguin;£2.95

THESE THREE plays all deal with recent political events—recent enough anyway for people to feel passionately about them. All three authors were given good reason to expect that their works would by now have been publicly performed. All three have been disappointed, although Tumbledown—which seems to have been postponed in the fall-out of the row over The Falklands Play rather than on its own merits—is scheduled to be shown next year.

The Falklands Play, too, was at first only "postponed" by the the BBC in order not to be "caught up in a pre-election frenzy." Later, when the public row had broken out, the BBC shifted its ground, first claiming the play had been cancelled for budgetary reasons, then that it was simply not good enough.

As for Perdition, no one ever seems to have had the temerity to suggest that adult television viewers might be allowed to see it and make up their own minds about it. All that was planned—and eventually cancelled at 48 hours' notice—was a five-week run in the 80-seat Theatre Upstairs at the Royal Court.

Taken together, these events suggest on the one hand, which is encouraging, that drama still has the power to arouse intense political passions; and on the other, which is profoundly discouraging, that the deployment of that power is still subject to a great deal of social control and inhibition.

The case of The Falklands Play is particularly bizarre because what was apparently wrong with it was that it was too favourable to the Government in power. At least, according to the author, the changes which the BBC Head of Plays asked him to make—and which he was unwilling to make because he felt they would falsify the historical record—would all have showed the Government in a less-favourable light.

The BBC has already been bitterly attacked by Conservatives for its conduct during the Falklands war and was under pressure last July over the Real Lives documentary on extremism in Northern Ireland, and was soon to run into further trouble with The Monocled Mutineer, a drama series loosely based on events in the First World War. Why on earth it went out of its way to provoke a further explosion remains unexplained.

Whatever anxieties the BBC may have felt about appearing to endorse the Government's view of the Falklands conflict could surely have been simply answered by pointing out that at the same time they were commissioning Tumbledown. The latter does not go into the origins of the conflict or the precise rights and wrongs of the Government's action. But it does put the emphasis very firmly — and in a way that many viewers will find hard to watch, since it includes frequent close-ups of the protagonist's nasty head wound — on the human suffering that every war involves.

Perdition, I should guess, would prove much less effective as a play, since the characters seem to exist only as vehicles for historical argument. That argument concerns the failure of Zionist leaders in Hungary in 1944 to warn fellow-Jews of their imminent extermination—at a time when Germany was already losing the war and many lives might have been saved by resistance or flight.

They did not do so because they believed the position was hopeless, and preferred to bargain with Eichmann for the safety of a few hundred "prominent" Jews selected by themselves. The question is whether by so doing they made themselves collaborators. It is a question endlessly debated in Israel since the time of the famous Kestner trial in the 1950s, the subject of a successful play produced in Israel last year.

It gains nothing dramatically by being transposed to an imaginary court case in London in 1967, particularly when the main character is allowed to throw in the towel lamely and wallow in his own guilt at the end of the play.

Also, the author seeks to establish a connection between the tragic errors of one set of Zionist leaders when the holocaust was actually in progress, and those of another set at an earlier stage who sought to present themselves as potential allies of Nazism, on the basis that both movements regarded Jews as a distinct nationality that belonged in Palestine, not in Europe. The connection seems tenuous, and amounts to an unjustified slur on Zionism's overall record.

But it is very sad that the Royal Court, of all theatres, should have cancelled production on the grounds that it would "cause distress to certain sections of the community." Many aspects of recent history are distressing. One does not have to relive them, as more or less tendentiously reconstructed by a playwright, unless one wants to. But those who do want to should be given the chance, if only so that they can evaluate for themselves the arguments of those who disagree. At least the publishers of all three of these plays are to be thanked for letting us read what we have so far been denied the chance to watch.

Edward Mortimer

Men and Matters

Too close for comfort

When Jim Fitzpatrick took on the chairmanship of the Mersey Docks Harbour Company after his successful tenure in the chief executive's chair, his friend Sir Leslie Young gave him 10 out of 10 for public service—but zero for career development.

Did Sir Leslie, the former chief executive of J. Bibby and Sons who now chairs British Waterways, know something which "Mr Fitz" as he is known to the Liverpool dockers, who came to like and respect him—did not.

Fitzpatrick is taking early retirement on July 31 because, at the end of the day, he and the management could not get on. He knew too much about the detailed workings of the business for a comfortable arm's length relationship to develop.

Many will see his departure as a pity, if only because his appointment as chairman smashed an old tradition of giving the job to shipowners, their sons, retired civil servants, or industrialists with establishment pedigrees.

Fitzpatrick has always been what Merseyside's monied gentry would refer to as a "hired hand."

He will continue to chair the Liverpool Area Health Authority where, I understand, his managerial abilities and advice are much appreciated by Edwina Currie, the junior health minister.

Dock brief

Charles Smith spent 17 years as a director of Milford Docks Company, the Welsh harbour group at which 17 days has sometimes seemed a more typical board tenure. In every other way, however, Smith's time at Milford fits in perfectly with the company's turbulent history of boardroom battles and suitors with an eye on its assets and stock market listing.

Smith organised a shareholders' committee in 1962 which ousted one management team and installed another, which soon went the same way. When the dust cleared in 1966, Smith was on the board, stepping up to chairman in 1973. In 1974, Milford paid its first dividend in 22 years, a pleasure which shareholders now have not enjoyed since 1982.

Now aged 76, Smith yesterday interrupted a holiday in the south of France to complain about the terms of the current rescue offer from Seacon, a private cargo handler and shipping group based in London's Isle of Dogs. He and several other former directors, representing 27 per cent of the shares, were hoping for an alternative bid. "We're still waiting for the dog to see the rabbit," he said.

Milford has been in trouble for so long that Isambard Kingdom Brunel is often credited with being its first would-be rescuer. Unfortunately for the tale, he had been dead for 15 years when the company was founded in 1874. But one participant in the latest episode observed: "That wouldn't have made any difference at Milford."

Green vote

Neil Kinnock, the Labour party leader, spelt out yesterday to the biennial conference of the transport union in Scarborough why he wants to widen the franchise in the party on the selection of MPs.

Strong arguments against will be mounted today when the union itself debates the issue. But few are likely to be as forthright as those put forward at a conference fringe meeting earlier in the week by Les Huckfield, the left-wing Labour Euro-MP.

What would happen, Huckfield asked those gathered at a rally organised by the hard-left Campaign group, if the franchise widened. Who would then be deciding who should become or remain a parliamentary candidate?

The task would not fall to members of local Labour general management committees, he warned.

No . . . control would be held by people who spent their time watching East Enders and weeding their gardens rather rather than attending party meetings.

Barr's move

Something of a coup has been pulled off by fast-emerging advertising agency McCormick-Publicis in netting one of London's most formidable female marketing talents, NatWest's head of advertising, Danielle Barr, as its new managing director.

In an industry not noted for the numbers of women managers, despite its egalitarian ways, Barr becomes the second woman md among the UK's top 20 ad agencies. The other one is Jennifer Laing at Saatchi and Saatchi—though Barr will not thank me for noting those facts.

Barr, who will take up her new post next month, made a substantial imprint on NatWest's advertising during her four years at the bank. From its "press for action" campaign, the Piggy family commercials and the acclaimed punk cinema commercial, she will now turn an eye on the advertising of such products at Renault 5, Boots cosmetics and Budweiser beer.

Ever keen not to be typecast, Barr has so far avoided obvious career moves. From Elida Gibbs, she joined quoted agency Geers Gross before moving to NatWest where she was in charge of a budget of some £15m a year.

Barr's distinctive, Gallic-sounding accent seems to fit well with the image of McCormack-Publicis, the UK end of a European network based in Paris. But, in fact, she is Israeli and speaks not a word of French.

To Boot

New newspaper technology has finally caught up with William Boot, the celebrated foreign correspondent of The Beast who introduced cleft sticks to serious journalism.

Boot, or rather William Deedes, the model for the character in Evelyn Waugh's satirical novel on Fleet Street, goes on a training course later this month to learn how to use his Atex computer terminal.

Deedes, former editor of the Daily Telegraph, is confident he can cope with the latest technology.

But what would William Boot have made of it all? "I think he would have got his German girl friend with her nimble fingers to do it," says the Telegraph's columnist.

In a word

Philip Collings, the director in charge of Whitbread's telecommunications operations, confessed at a Financial Times conference yesterday that many of the technological buzz words, to which the industry is addicted, go straight over his head. For many years, he said, he thought that a megahertz was a "large Cadillac you get on rental." I know how he feels.

Observer

Economic Viewpoint

The debate about the British boom

By Samuel Brittan

THE LATEST UK economic worry is whether the boom is too strong or output is growing too vigorously. This may seem a neurotic worry to those who think economic growth is a goody of which you cannot have too much.

But almost every process, including economic growth, can be too fast as well as too slow.

The rapid growth rate in Britain coincides with a period in which world economic growth has been sluggish. As a result, Britain has the fastest growth rate among the Group of Seven, more than twice West Germany's, and nearly twice Japan's.

The contrast may be impressive on a political platform, but it raises even more questions about the durability of the present boom. How long can Britain remain an island of rapid growth without an improvement in its main trading partners?

The average of all the measures for the rate of increase of real GDP between the first quarter of 1986 and 1987 now comes to 3.3 per cent. Based on past revisions, there is a two in three chance that the final estimates will be in the range of 3 to 5 per cent—which gives 4 per cent as the best guess.

But so long as inflation does not begin to accelerate, does it matter whether the current real growth rate is given the number 3 or 4 by statisticians?

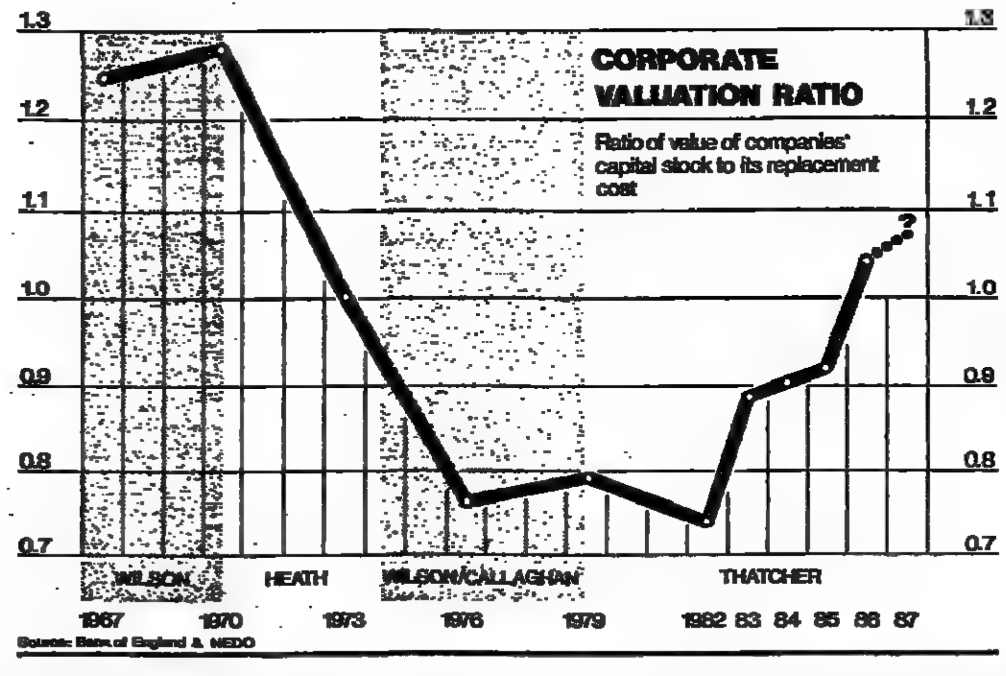
The true disagreement is on whether the current boom threatens an inflationary take off or not. To take two reports, almost at random. Phillips and Drew state: "British manufacturing industry is now utilising its plant and machinery more intensely than in the boom of 1972-73. Industry will be unable to keep up with the rise in demand expected later this year. The gap will be filled by imports."

Chase Manhattan, on the other hand, headlines its Economic Review: "Inflation fears exaggerated. No capacity constraints as investment grows. Monetary growth no cause for concern."

There are two opposite dangers for policy-makers. The first is that they may be wrongly urged to restrain the economy because it is growing faster than some preconceived and outdated view of the optimal rate.

Restrictive measures now, or a further rise in sterling, could frustrate the efforts that industry is making to remove the physical capacity constraints examined by Philip Stephens on July 6.

One indicator of the incentive to invest is the behaviour of the valuation ratio: the ratio of the market value of corporate assets on the basis of stock exchange prices to their replacement cost shown in the chart.



For the first time for many years the valuation ratio rose above unity in 1986, and it has risen further this year. This suggests that companies at long last have some incentive to extend and not just replace capacity. Hitherto, investment has been mainly to improve efficiency or product quality and reduce costs.

There may thus now be self-correcting forces acting to correct capacity bottlenecks, and any government would think twice before stopping these forces in their tracks by restrictive action.

The second danger, however, is to overlook the well-known fact that it is possible to obtain an unsustainably rapid spurt in the growth rate at the cost of more inflation—whether open or disguised as a payments deficit — at the expense of enforced slamming on of the brakes later. This has happened often enough in the past.

The very latest indicators give more support to the overheating than the "steady as she goes" school. The Institute of Directors' Quarterly Survey shows that "labour supply problems" — now reported by 26 per cent of companies — have shot up as a business concern and now exceed demand constraints in importance.

The Halifax house prices index for the South East is 24 per cent above a year ago. There are even reports that workers on some projects will be housed in floating accomodation on the Thames; and wage pressures generated by housing shortages in the South East are still the most likely domestic cause of the next economic "stop".

How does one balance out the arguments for leaving well alone and acting now to prevent inflationary overheating?

The problem is the breakdown of the established intellectual frameworks for answering the question.

One such framework involved estimating the rate of unemployment compatible with a stable non-accelerating rate of inflation (the NAIRU). An estimate was also required of the effect on pay and prices of different *rates of change* of unemployment, as well as different levels.

But *this approach* is not really open to us with nearly 3 million registered unemployed. Common sense suggests that this number is high above the sustainable non-inflationary rate of unemployment. Estimates ten years ago would have put that rate at no more than 1 million.

On the other hand, for several years in the mid-1980s unemployment was stuck at 3 million, with little apparent effect on wage and price inflation—thus suggesting, but by no means proving, that the non-inflationary rate of unemployment had risen under the influence of various shocks.

A much more attractive idea is to have an objective for the growth of GDP in nominal terms. This has the great advantage of by-passing arguments on the physical state of the economy and leaving it to business and workers' representatives to determine the breakdown of GDP increases between real growth and inflation, while still keeping a lid on the latter.

Yet it is not enough just to shout "nominal GDP" as an incantation. We have to forecast what nominal GDP is likely to do over 1987-88. The attempt to do so leads us back to the familiar argument between those who think that the increase in credit and in certain measures of the money supply will spill over into excessive spending, and those who think that financial and other innovations have undermined the old relationships.

Moreover, even if we could forecast nominal GDP it is far from clear what the *objective* for it—and in particular the upper limit — should be.

The Treasury's projection of a 7½ per cent rise in 1987 will be exceeded. But is that harmful if it reflects productivity increases and the absorption of unemployed workers, and if the overshoot is due to the output rather than the inflation component? The conclusion is not "Anything goes," but that another yardstick is needed for *Britain in current circumstances.*

I find myself longing for some more automatic regime such as the gold standard which kept prices stable (with modest fluctuations in both directions over years and decades) without any minister or economist having to say whether or not the economy was "overheated" or having to forecast the national income in either real or nominal terms.

The normal danger signal was a run on the (very small) national gold reserve; and provided the central bank was prepared to raise interest rates to stop this happening, and lower them when the threat had passed, inflation could not take off.

Although the official orthodoxy was then that of balanced budgets, there was plenty of peacetime government borrowing—in the newer countries for development projects and in the older ones for capital projects which Parliament had given permission to finance in this way. The practical limit was where a risk premium appeared on a country's bonds or where confidence in the currency was threatened.

An exchange rate standard without a gold or commodity base depends on there being at least one anchor country having a counter-inflationary policy which is *not* based on the exchange rate.

Fortunately, West Germany is such an anchor country. So I come back to my most recent hobbyhorse.

So long as sterling is stable about its present level against the D Mark and is expected to remain so, there is no way by which the rate of British inflation for traded products can long exceed the German rate.

What the argument boils down to is that the sterling-DM rate will provide the signal when it is time to tighten British financial policy.

If in the meanwhile we have the opposite problem and sterling looks like moving well above rather than below a DM range of say 2.88 to 3.02 (roughly the EMS range) then the Bank of England should be told to buy foreign exchange or, ultimately, lower interest rates, despite the credit and broad money numbers.

A policy of allowing sterling to overshoot for reasons of monetary control was (whether right or wrong) arguable in 1980 when inflation hit 18 per cent. It was not justifiable with inflation at 4 per cent. Sterling overvaluation would risk throttling all the forces which are at long last leading to higher capacity and more training skills. The rise in oil prices is an insufficient excuse.

If the Chancellor's advisers are worried about overstrain the place to act now is on the fiscal, not the monetary, front. The Budget may not be due until next spring. Yet the crucial season for Government spending decisions has now arrived.

If ministers do not listen, or only half listen, to the arguments for extreme fiscal caution (outside the context of concerted international action against world recession) then the Bank can still be confident that adherence to an exchange rate objective will eventually force corrective action on the fiscal as well as the monetary front, whatever sterling is doing today.

The correction will be less timely than discretionary fiscal action now, but it will still be better than forgetting all the lessons of recent American as well as British history and allowing sterling to become overvalued because a few City analysts are giving the Chancellor and the Governor a bad press over a distorted and semi-obsolete measure of the money supply.

JOE ROGALY

Betrayed by the teachers

TWO APPARENTLY incompatible notions lie behind the bubbling new education policies of Britain and the United States. The governments of both countries seek to lay down what is taught in the class-room. That is state intervention, however you look at it. Yet both governments are proudly increasing the choice of schools, on the ground that parents will send their children to the best of them and let the rest go to the wall. That is consumerism, whichever way you look at it. So which is it to be—a system run by parents, or one run by that state? The question arose during a visit to London this week by Mr William Bennett, the US Secretary for Education.

Mr Bennett, an ebullient exponent of the conservative spirit of our times, had no trouble in replying. Yes, he would trust the consumer to choose a school with the best curriculum — but there is a long way to go before the consumer is truly in charge. Meanwhile he must persuade the governors of the 50 states to insist on a uniform core curriculum, with a set minimum amount of tuition in reading, writing, mathematics, and so on. At the same time he is encouraging America's local school districts to open their doors to whoever wants to attend, adding portable classrooms or extra space next door if need be. Experiments in Harlem and elsewhere suggest that if this is done the worst schools are deserted as parents/consumers flock to the better ones. It is not quite the Conservative government's policy of allowing individual schools to opt out of local authority control. Yet the strategy — to create an alliance of government-plus-parents that will squeeze out bad teaching—is the same.

Of course that is because the reasoning is the same. In fact the similarities between what is being said about schools on both sides of the Atlantic are so extensive that in this sense at least Britain might as well be a 51st state. Both conservative governments are seeking fundamental change. Both have studied their competitors—Japan in particular, but also West Germany, France and others—and found their own schools sadly behind. Both want a return to earlier ways. They demand the inculcation of basic knowledge. They talk about passing down the cultural legacy of western civilisation. (Mr Bennett lists four top books: the Bible, the US constitutional documents, Huckleberry Finn, and the works of Shakespeare.) They yearn, with less hope over here than over there, for schools that teach "the difference between right and wrong" The US Education Secretary believes that the best way of doing this is to put the children among teachers who personify these values.

Why is all this educational reconstruction necessary in Anglo-America? It is a question that goes so deeply to the roots of 20th century history that it is properly one for 21st century historians to answer. For the only response that can be given today is that in both countries the teachers, as a collectivity, went mad during the 1960s and early 1970s. They stopped teaching as those of us who went to school before that know it. They went in for painting egg-boxes and managing child-centred discussions. Timestables were said to be bad for you and rote-learning was regarded as pure horror (older folk who have the lifetime gift of memorised poetry will know what I mean). The rules of grammar were regarded as quaint relics of a bygone past. In many schools teaching about a belief in God came to be regarded as an abnormality. Just why so many teachers in both countries betrayed the children in this way remains a mystery.

The administrations in London and Washington would go further, and point to the more recent wave of teaching anti-racism (should we teach its opposite then?), feminism, tolerance of all forms of sexual behaviour, and the like as additional evidence of the perversity of teachers. There is no need to be side-tracked into that tabloid alley-way. The egg-box phase is sufficient evidence that many teachers have been guilty of treason against the interests of children in both countries, with the worst sufferers being the poorest. What is happening now is society's natural reaction.

Letters to the Editor

No help to farmers

From Mr A. Rosen

Sir,—Prime Minister Thatcher's stand against the more extreme of the European follies is to be applauded and should be supported by all intelligent people, especially farmers in Britain. The present system of supposed price support for farmers is not actually aiding the farming industry in its fight back to prosperity.

In spite of the vast European subsidies British farmers' incomes are now the lowest that they have been for 50 years.

Of the £60m a day that is the approximate cost of the European agricultural support, about £40m is being wasted on the purchasing, storing (often in refrigerated stores) and ultimately disposing of these absurd surpluses of milk, wine, beef and cereal grains. Farmers in Britain do accept that this over-production is both morally and financially indefensible.

I estimate that every acre farmed in Europe today costs the taxpayers about £84 in totally wasted investment: none of this money aiding the farmers in any way. The European Community imposed inevitable milk quotas with almost total lack of intelligent planning, and now these quotas guarantee that there will be not less than 10 per cent overproduction within Europe.

Should the Government want to maintain a viable dairy farming industry, as surely it must, would it not be sensible to pay farmers the same as they are now receiving to produce 10 per cent less milk? The saving to the taxpayers by not having to purchase and store rotting butter and skim milk powder would be considerable.

Similar argument can be made out for other commodities in surplus. Let us hope, for the sake of both taxpayers and farmers, that the Government insists on an immediate and thorough reform of the Common Agricultural Policy, at the same time encouraging farmers to use the land that must be removed from food production for alternative enterprises by sensible financial incentives.

Anthony Rosen
(Chief Executive).
Feenix Farming,
Foxhill, Elstead, Surrey.

Flat percentage tax

From Dr C. Joiner.

Sir, — I read Lombard on July 3 with great interest. In it a question is asked "Why not have a national poll tax to pay for national services, with exemption for the old, unemployed, and sick?" Surely, the only reason is that some are richer than others, and so would pay proportionately less. But why not replace the existing personal income tax, with all its anomalies and inconsistencies, with a flat percentage tax — 15, 20, or even 25 per cent — with no allowances or exceptions. Easy to understand, easy to administer, easy to adjust, and fair to all. How's that for fiscal neutrality?

(Dr) C. L. Joiner,
152 Harley Street W1.

Tourism in Norway

From the Director, UK and Ireland, Norwegian Tourist Board

Sir,—Thank you for that interesting survey on Norway (July 7) which gave a realistic view of the challenges facing the Norwegian economy. It was however, disappointing that nowhere did the growth industry with 100 years-long traditions in the British market—tourism—receive attention.

According to the OECD Norway was in 1986 among the five countries with the biggest increase in tourist receipts (+12 per cent), whereas the trend overall within OECD was down by 1 per cent. As Norway's tourist industry grows in economic importance, increasing efforts are being made to improve and modernise the facilities offered. The choice of activities and social events available to tourists — both foreign and domestic — grows every year.

The Norwegian tourist industry employs between 80,000-90,000 people, equivalent to nearly 5 per cent of Norway's labour force. Most of those involved—about 50,000—work in the hotel and restaurant business. The numbers involved may not seem particularly large, but employment in this sector has been growing more rapidly than in other industries.

Annual turnover of the tourist industry in Norway is estimated at NKr 28bn. Foreign currency income from this source reached around NKr 7.3bn in 1986. Even so, spending abroad by Norwegian tourists exceeds the amount earned each year from the foreign tourists visiting Norway. The gap in tourism currency balance has grown over the past years.

Norway's tourist industry makes an important contribution to the economy of the country's less developed regions, helping maintain local business activity—hotels, restaurants and transport services—thus curbing the population drift to urban areas, benefiting other sectors such as retail trade, agriculture, fisheries and construction. The tourist industry helps provide new opportunities for recreation and leisure.

Ivar Hauff.
30, Pall Mall, SW1.

Financial reporting

From the Director General, Office of Telecommunications

Sir, — Most people who have thought about the issue would agree that the relationship between profit and capital employed is a key indicator of the success of business performance. The absolute amount of profit is almost useless as an indicator. Who, on being told of the existence of a good investment project yielding a profit of £1,000 per year would write a blank cheque to participate? Rate of return — the ratio of profit to capital employed — is all-important. I recognise that the measurement of capital employed under traditional accounting procedures is imperfect, but the same is true of absolute profit and one has to use the best measures available while working to improve them.

I am therefore surprised to find that even the most thoughtful newspapers, such as the Financial Times, give a very incomplete picture when reporting financial results. Your issue of June 19 contained three separate pieces referring to British Telecom's results for the year ended March 31. They reported various numbers. The absolute amount of profit was headlined. Reference was also made to turnover, to interest charges and even to the tax charge. Nowhere was any reference made to capital employed or to the rate of return, even though these numbers were given or could easily be calculated from numbers supplied by BT. Surely such reporting encourages oversimplified judgments about company performance.

(Professor) Bryan Carsberg.
Atlantic House,
Holborn Viaduct, EC1.

Insider dealing

From the General Secretary, Fabian Society

Sir,—May I applaud your editorial on the outcome of the trial of Geoffrey Collier (July 3). Concern at the result of the trial should be felt most strongly among the hundreds of thousands of people who work in the financial services industry. Their livelihood is at risk if consumers perceive the City to be a place where advisers and those selling services misuse clients' money to enrich themselves.

Let all those who see this as a storm in a tea-cup remember that the financial services industry is now truly international. It is evident that as prosperity grows, so too will the demand for financial services. If the British industry cannot clean up its act, there are plenty of overseas suppliers prepared to sweep up this growing business.

Consumer dissatisfaction has already led to the death of the British car, motor-cycle and many other manufacturing industries. The British financial services industry will suffer a similar fate if it cannot convince the customers of its probity.

John Willman.
11, Dartmouth St, SW1.

Mansion House site

From Jennifer Freeman

Sir,—Colin Amery's article (June 22) on the virtues of the Palumbo/Stirling proposals for the Mansion House site (No 1 Poultry) in the City of London deserves careful examination.

We now know that the City planning committee refused to approve Mr Palumbo's applications on June 23 and that this decision will have to be ratified by the Court of Common Council.

In addition to the loss of eight listed buildings on the site including the splendidly Gothic Mappin and Webb building much of the historic street pattern and a historic church site will be obliterated from the area. Bucklersbury and part of Pancras Lane will disappear while Sise Lane becomes a servicing alley. There are fewer shops, pubs and eating places in the new scheme, and not all are at ground level—a prerequisite for successful City retailing. The entrances to Bank tube station will be improved but this could be achieved if the existing buildings were refurbished. An outline scheme designed by Terry Farrell has already demonstrated this.

Mr Amery is incorrect in suggesting that the reduced height of the Stirling building will not erode views of St Paul's Cathedral. In fact, as the City planning officer conceded, views of St Paul's will be compromised. Moreover, any reference to the delicate relationship between the turret of Mappin and Webb, the spire of St Mary-le-Bow and the dome of St Paul's is absent from Stirling's jutting prow.

Local opinion in the City, established by two surveys, is overwhelmingly in favour of a refurbishment scheme for the site.

Jennifer M. Freeman.
(Member, London Advisory Committee English Heritage),
8, Kensington Gate, W8.

FINANCIAL TIMES

Thursday July 9 1987

Australian election battle unsettles markets

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S financial markets have become inextricably caught up in the bruising election battle between the outgoing Labor Party.. government and the opposition Liberal and National parties.

The country goes to the polls on Saturday, and events over the past few days have led Mr John Howard, the Liberal leader, to attack Mr Bob Hawke, the Prime Minister, and Mr Paul Keating, the Treasurer, for "playing politics" over the level of interest rates and the strength of the currency.

Yesterday the Reserve Bank announced that it had intervened to support the Australian dollar over the previous 24 hours when it dipped below the psychologicaly important level of 70 US cents. Last week it hovered just under 72 US cents.

Explaining the bank's action, Mr Bob Johnston, the governor, said sharp changes in the exchange rate were not good for the economy. Objectively nothing had changed significantly over the past week, he said.

But analysts point to a combination of political, economic and technical factors which have contributed to the new volatility in the currency.

One is nervousness about the election itself. The Australian dollar has remained stable to firm for several months, and traders say it was only a matter of time before election jitters set off some selling and a bandwagon effect.

Mr Howard sought to capitalise on the intervention yesterday by saying it showed economic fundamentals did not allow for a sustainable fall in domestic interest rates.

A significant decline in money market rates over the past couple of months has led Labor to try to talk down other rates.

Mr Keating has made open predictions in Labor's campaign of a fall before polling day in politically sensitive home loan rates. Yet apart from an exceptional reduction by a minor Tasmanian institution, nothing has happened.

Last week, the local arm of BankAmerica suggested, controversially, that the authorities might have been manipulating rates downward under Government pressure. That suggestion, too, was taken up by the opposition, and promptly repudiated by the Government.

But Mr Keating, who last weekend also reported a larger than expected decline in the Government's budget deficit, has since urged the media to tackle the major banks on the matter of mortgage rates.

In response the banks have acknowledged a fall is in prospect, but only when the decline in the cost of their deposits is sustained. On the timing of that, opinions genuinely differ.

The banks also indicated they were worried that a drop before the election would leave them open to charges of political bias.

But Mr Keating and Mr Hawke, apparently believing that "bashing the banks" can do them no harm electorally, suggested in turn that the banks were themselves behaving politically by enjoying bigger margins instead of reducing rates.

All of this has taken place against a background of Labor accusations that a victory for the opposition would cause a run on the dollar

In support of this the Government has drawn on suggestions by Goldman Sachs, the US investment bank, that the Liberal package is "unconvincing".

Life in the marginals, Page 4

Peter Marsh on the prospects of the US being overtaken in reusable space technology

Soviet shuttle prepares for lift-off

"It will be an important step in sophistication for the Soviet Union. We had it in our grasp, but we fumbled it."

Mr Joe Allen, a former astronaut who is now a businessman in Texas, is referring to the operation of reusable space shuttles. His frustration stems from the fact that, while the US fleet of three shuttles is grounded following last year's Challenger disaster, the Soviet Union is likely soon, perhaps by the end of the year, to launch its own shuttle.

The launch six years ago of Columbia, the first US shuttle, was marked by bold assertions that the vehicles could lead to a new era in space travel. So confident was Nasa production of its old-style expendable launchers. It intended to rely on the shuttles for almost all space missions, include satellite launches and manned flights.

But this confidence was premature. Even before the Challenger explosion, the first 24 missions made by the US craft were hit by technical problems. Pending a redesign of the three remaining vehicles, they will not fly again until next summer at the earliest.

Professor John Logsdon, a space policy expert at George Washington University in Washington, believes the Soviet shuttle will 'enhance the already strong capabilities of the USSR in space.' But he thinks the Soviet Union will aim to operate the vehicle sparingly, at the rate of a few times a year, and as part of a mixed fleet which includes expendable boosters.

According to this view, the Soviet shuttle would be used only when its characteristics confer an advantage for a particular flight, such as when the Soviet Union wants to take a large number of people into orbit or to return large and bulky objects from space.

The Soviet shuttle is expected to look similiar to the US version, a large aeroplane-type structure with swept-back wings, weighing in at about 75 tonnes, with the ability to carry a payload of some 30 tonnes. It will be launched vertically by rockets and land like a glider on a runway.

But each country's method of getting its craft into orbit differs slightly.

The US shuttles each contain three powerful engines, burning hydrogen and oxygen, a mixture which gives more thrust than any other combination of fuels. These reusable engines feed from liquids stored in a massive, expendable tank.

To assist the three main engines, the US system employs two ancillary boosters, strapped to the fuel tank. The boosters are discarded before the shuttle enters orbit, although they are later recovered and refurbished.

However, the four main hydrogen-oxygen engines in the Soviet system are fixed not to the shuttle itself but to the large fuel tank. These engines are burned up in flight, as are the four strap-on boosters, which consume liquid fuel rather than the solid fuel used in the US machine.

This method of operation, although forced on the Soviets by their lack of experience in hydrogen-oxygen engines, does provide extra flexibility. By removing the main engines from the shuttle itself, the Soviets have a powerful booster system to which can be fitted not only the shuttle but a variety of other payloads.

This basic booster system, titled Energia, made its debut in May with a dummy payload. It is expected to be used only occasionally for shuttle operations. Its main job will be as a workhorse for taking objects of up to 100 tonnes into low orbits of a few hundred kilometres above the earth. These missions could be part of steps to enlarge the Mir space station or to construct *bigger space stations.*

There is some doubt as to whether the Soviet Union is developing one or two classes of space shuttles. Soviet engineers have launched unmanned test flights of 'mini' shuttles, which would be carried into orbit on top of an ordinary rocket, rather like the Hermes vehicle under study at the European Space Agency.

But no one outside the Soviet Union knows whether the mini-space vehicle exists as a project in its own right, or whether it is a prototype for trying out ideas for the large shuttle.

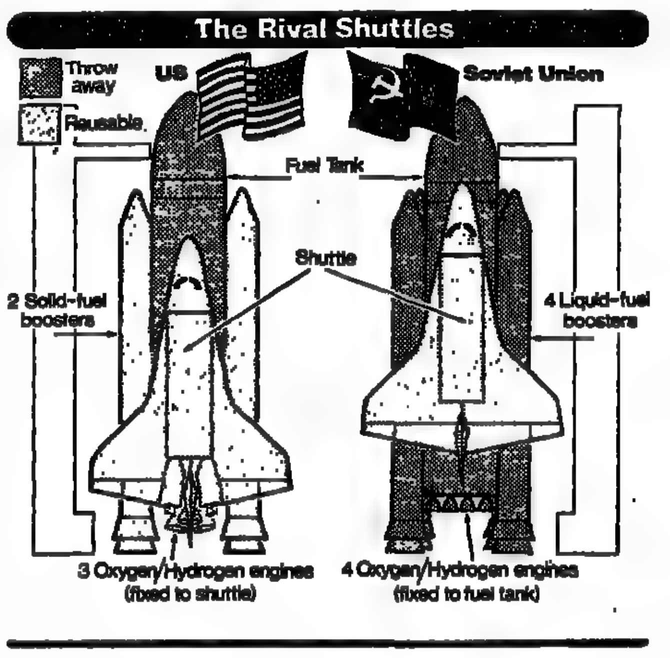
A further area of disagreement is the extent to which the Soviet vehicle is a copy of the US shuttles. US Defence Department officials believe design information about the shuttles has leaked out to the Soviets through a mixture of open and illicit channels.

But other onlookers point out that once the Soviet Union decided to build a shuttle with a similar payload-carrying capacity to the US vehicle, the laws of aerodynamics decreed that it would look similar to the US

'It's naive and a bit paranoid to think of the Soviet shuttle as a carbon copy of ours,' said Mr James Oberg, an authority on Soviet space exploits who works at Nasa's Johnson Space Centre in Houston. 'They have their own technology base which they can exploit.'

Most observers agree that the Soviet shuttle will confer few, if any, immediate operational advantages. But it is generally thought that over the next few decades, the world's space powers will be forced to develop techniques in reusable vehicles, which in the long term are almost certain to be cheaper and more effective than expendable craft.

The Rival Shuttles



Belgian companies win battle for Contibel

By Lucy Kellaway in London

THE TWO Belgian companies bidding for Contibel, part of the old Imperial Continental Gas group, yesterday announced victory after increasing their offer from £395m to £448m ($726m) and buying in the market nearly 15 per cent of the shares to push their stake above 50 per cent.

This brings to an end one of the most unusual bid battles that the stock market has seen, in which an initial offer was recommended by the board and its financial advisers, Morgan Grenfell, only to be shunned by the company's institutional investors as too low.

Including the 7.7 per cent of shareholders who accepted the earlier offer, the Belgian companies, Groupe Bruxelles Lambert and Tractebel, last night announced that they controlled about 52 per cent of the shares, and that the bid was unconditional. In giving its support to the higher offer, the board of Contibel yesterday withdrew its earlier recommendation, in what was regarded by the City of London as an embarrassing climb down.

The company said that since the first approach was made three months ago, there had been "significant changes" in the circumstances surrounding the bid. As a result of the rise in the Belgian stock market the asset value of Contibel - which consists of a portfolio of Belgian investments - had increased by 9 per cent from £496m, or 349p a share, to £542m, or 381p a share.

It said that recently proposed changes in withholding taxes would also increase the value of the company by allowing it to pay slightly higher dividends for any given level of profits. It also noted the aversion of shareholders to the bid.

Mr Ed Challen of Provident Mutual, which led the institutional resistance to the earlier offer, said that Provident was considering its position. "We believe that the bid still understates the value of the company. The Belgians have chosen the lowest possible price at which they could stand any hope of success", he said.

By gaining control of Contibel, Groupe Bruxelles Lambert and Tractebel, two of the largest holding companies in Belgium, have succeeded in securing a larger stake in Petrofina, the Belgian oil company. The addition of Contibel's 7 per cent stake in Petrolfina will take their combined holding to 27 per cent.

Lex, Page 20

THE LEX COLUMN

An emerging consensus

The CBI City-Industry committee is hardly a disinterested forum for examining the distorting effects of merger and acquisition accounting. But, allowing for the predominance of target companies, the committee has produced a cogent manifesto for reform - thinly disguised as a consultative paper - which appears to reflect a consensus now extending to the Department of Trade and Industry itself.

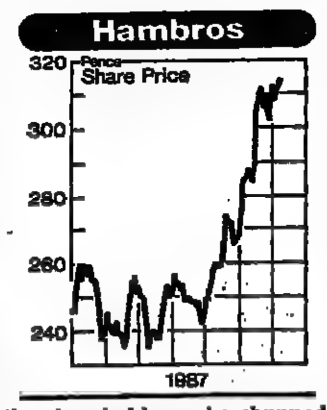
It is difficult to argue with the hostility towards writing-off reorganisation provisions against reserves. The financial honeymoon that this can provide may be endorsed by SSAP 22, but it is contrary to good market sense and also flies in the face of international accounting standards. Goodwill is more complex. It may not be an investment but it is sufficiently *distinct from lorries and* buildings to qualify for some protection from depreciation through the revenue account. Companies should be allowed to write-off goodwill against reserves as long as gains arising from a subsequent resale are written back to those reserves. Merger relief has, however, been abused - not least by the growth of vendor placings - and should now be strictly limited to merger accounting.

The greatest difficulty - which the CBI understandably does not address - is who will implement these changes. The ASC, still reeling from the inflation accounting imbroglio, seems unwilling to crack the whip. If, as the CBI claims, these are issues of national economic importance it is probably time to take them out of the professions' dithering hands.

Contibel

The way in which the resistance of Contibel shareholders to Groupe Bruxelles Lambert and Tractebel crumbled - within two hours of a revised offer - suggests that the institutional support of the company was not quite the force it claimed to be. Yet with the Belgians already owning over 29 per cent, it was quite easy for them to sweep to power over a large dissenting group of institutions. Most of the increase in the terms merely reflects the market movement in the Contibel portfolio since the date of the original offer. In effect, a large number of the shareholders who shunned an offer pitched at a 20 per cent discount to asset value, have immediately rolled over when offered a discount of 17 per cent.

Hambros



Doubtless the greatest criticism will be reserved for the board of Contibel which had recommended a bid worth 14 per cent less than the terms shown to be the minimum requirement of the majority of shareholders. Yet it is possible to feel some sympathy for the board, which must have been close to exhaustion after 10 months of dealing with three offers from two continents. Morgan Grenfell, Contibel's advisers, have less excuse for making such an error of judgement.

The arbitrageur is not so much of a stock market hero these days. But credit where credit is due. If it were not for the Barclay brothers stirring things up in the first place, shareholders in the former Imperial Continental Gas Association would never have seen such a rapid demonstration of the true value of their assets.

Hambros/Banco de Bilbao

Hambros' urgent desire to form connections with other European banks appears to be exceeded only by Banco de Bilbao's. Certainly the financial arrangements underlying the trading relationship are all one-way, with Banco de Bilbao investing around £50m in loan capital and Hambros' shares. But then Banco de Bilbao is the one with the spare cash and without much room left to expand in its domestic market.

What the two can better do together is a far from obvious. So far Hambros' tie-up with San Paolo Bank in Italy, now nine months old, has brought little in the way of corporate finance fees, though no doubt every extra member in an underwriting group helps. The idea that cross border merger and acquisition business throughout the EC will now take off in a new spirit of Europeanism denies years of disappointment among companies who still regret the moves made when the UK joined the EC. That may be changing, but meanwhile the multilingual corporate finance team at Hambros may be putting in a lot of effort for little return.

Investment management shows more apparent opportunities for money making as both Italy and Spain dismantle exchange controls and the rich of both countries rush to put money abroad. *Hambros* already has a decent business in Gibraltar advising expatriates on investments. It is probably fanciful to suggest that Hambro Countrywide could start selling Spanish holiday homes through its UK branches with Banco de Bilbao providing the mortgages.

The 8m shares bought by Banco de Bilbao may well have come from Prudential Insurance of America, which has cut its stake, rather than the market. And the 2p rise, to 314p, in Hambros' shares yesterday was probably in the hope that the bank will find yet more partners with cash to splash around.

BAA

After the more than usually public squabbling over the pricing of BAA shares, the vendors have settled for the retailers' psychology of picking a price just below a round number to persuade buyers they are getting a bargain. The 245p set on the fixed price part of the offer somehow looks a lot cheaper than 250p, and given the market rise lately, still gives a rating at a decent discount to the market.

The question remaining is how the aftermarket will be affected by the tender. If it acts as a safety valve letting out the institutions' steam, then the standard first day of dealings frenzy to combine small parcels of shares into reasonable size holdings will be much less. And if small investors end up with tiny allocations, or even no shares, they could find that the easy money privatisations are over. If so, that is all to the good.

Hostage lifeline 'at risk'

FRANCE WILL lose a lifeline to its hostages in Lebanon and Iran will face delays in receiving millions of dollars of debt repayments if French Prime Minister Jacques Chirac cuts ties with Tehran, according to Middle East experts, Reuter reports from Paris.

Mr Chirac said on Tuesday that he might break off diplomatic relations unless an Iranian Embassy employee obeyed a summons to testify about last year's bombings in Paris which killed 13 people.

Mr Vahid Gordji, listed as an interpreter but believed by France to be a key intelligence agent, refuses to leave the sanctuary of the Embassy without guarantees that he will not be arrested.

The two countries appeared deadlocked on the ninth day of the crisis with Iran, which has not responded formally to Mr Chirac's warning, maintaining that Mr Gordji was not obliged to testify.

France had since April sought to resolve financial and commercial disputes with Iran in exchange for Tehran's help in securing the release of Frenchmen kidnapped in Lebanon by Islamic extremists.

Kinnock boosted in party vote

BY PETER RIDDELL, POLITICAL EDITOR

SEVERAL close supporters of Mr Neil Kinnock, leader of Britain's recently-defeated opposition Labour Party,were yesterday elected to senior parliamentary posts at the expense of centre/right figures in what amounts to the biggest change in the party's leadership for several years.

The results of the election for the party's "Shadow Cabinet" in Parliament tilt the balance clearly in the direction of the so-called Tribune Group which is firmly to the left of centre of the Labour Party, although not in any extreme sense.

This group now has nine out of 15 members in the Shadow Cabinet whose members act as opposition spokesman on key government portfolios in Parliament.The Shadow cabinet is elected by Labour members of Parliament.

This shift is in line with the changes in the balance of the Parliamentary Labour Party at last month's general election which saw a sweeping victory by the ruling Conservative Party of Prime Minister Margaret Thatcher as well as the entry of a number of Labour left-wingers into the House of Commons..

Mr Kinnock,whose personal showing at the election was widely considered to have strengthened his own position as leader' was said to be very pleased with yesterday's elections to the Shadow cabinet. The outcome gives him freedom of manoeuvre in the Shadow Cabinet for the first time since he became party leader four years ago.

Britain has named a new secretary of the Cabinet and head of the Civil Service to succeed Sir Robert Armstrong, who retires at the end of the year. He is Mr Robin Butler, aged 49 (above), a top Treasury civil servant. He will be senior adviser to Mrs Margaret Thatcher, Prime Minister, on policy and administrative matters. Page 6

The Labour leader will now *discuss with colleagues a major* reshuffle involving almost all the main Shadow Cabinet posts. This may not be announced until after the weekend.

Mr Bryan Gould, the party's campaign co-ordinator, easily came top of the poll with 163 votes, nearly double his total last year, and 33 ahead of the runner-up. He was widely praised for his prominent public role in Labour's election campaign,in spite of the result.

Mr.Gould recently argued that the Labour Party had to change its image and adapt some of its more unpopular policies if the party were to regain power

The newcomers to the Shadow Cabinet include a number of promising middle-ranking spokesmen associated with Mr Kinnock, notably Mr Jack Straw,the former student leader, Mr Gordon Brown and Mr Frank Dobson.

The sole new entrant from the so-called hard-left,a number of whose members were elected to Parliament in the election, is Ms Jo Richardson. Her election reflects,however,reflects more a widespread desire by Labour MPs to elect a woman to the Shadow Cabinet.

Two former Shadow Cabinet memebers from the centre/left, Mr Robin Cook and Mr Bob Hughes, have returned after a gap of a year.

Amnesty for Israeli killers rejected

ISRAEL'S PARLIAMENT yesterday rejected by a vote of 69 to 40 a right-wing attempt to seek amnesty for ultra-nationalist Jews convicted of killing and wounding Palestinians in the Israeli-ocupied West Bank, Reuter reports from Jerusalem.

A total of 28 members of an underground movement made up of Jewish settlers from the occupied West Bank and Gaza Strip were convicted in 1985 for anti-Arab attacks.

They were held responsible for killing three Palestinian students in a 1982 attack on the Islamic college in the West Bank town of Hebron and maiming two Palestinian mayors in a bombing.

Members of the group were also found guilty of plotting to blow up the Dome of the Rock mosque, Islam's holiest shrine in Jerusalem.

All but eight members of the underground have since been freed after serving their sentence or having it reduced by President Chaim Herzog.

Mr Yitzhak Shamir, Prime Minister, who once called the underground members misguided good boys, voted for the amnesty along with Mr Ariel Sharon, the hardline Industry Minister.

But many right-wingers voted against the proposal on grounds that only Israel's president has the right to grant amnesty.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	26	79	Malta	S	30	86	Rhodes	S	27	81
Algiers	S	29	84	Edinburgh	C	15	59	Manchester	C	16	61	Rio de Ja'o	S	31	87
Amsterdam	S	20	68	Faro	S	28	82	Manila	S	33	91	Rome	F	28	82
Athens	S	27	81	Florence	S	31	88	Melbourne	S	16	61	Salzburg	S	26	79
Bahrain	C	39	102	Frankfurt	C	19	66	Mexico City	C	26	79	San Francisco	S	24	75
Bangkok	-	-	-	Funchal	F	23	73	Miami	C	31	88	Seoul	S	24	75
Barcelona	F	26	79	Geneva	C	21	70	Milan	S	28	82	Singapore	S	31	88
Beirut	S	27	81	Gibraltar	C	23	73	Montreal	C	26	79	Stockholm	F	16	61
Belfast	F	15	59	Glasgow	C	14	57	Moscow	S	24	75	Strasbourg	TH	23	73
Belgrade	S	31	88	Guernsey	S	17	63	Munich	F	25	77	Sydney	S	17	63
Berlin	C	25	77	Helsinki	S	21	70	Nairobi	C	19	66	Taipei	C	33	91
Biarritz	C	23	73	H. Kong	R	30	86	Naples	S	28	82	Tangier	S	29	84
Bombay	F	31	88	Innsbruck	R	25	77	Nassau	S	31	88	Tel Aviv	S	28	82
Bordeaux	F	23	73	Inverness	C	13	55	New Delhi	S	38	100	Tenerife	C	25	77
Brussels	F	18	64	Islamabad	S	37	99	New York	C	22	71	Tokyo	F	29	84
Budapest	S	27	81	Istanbul	C	26	79	Nice	F	26	79	Toronto	R	28	82
B. Aires	S	14	57	Jakarta	S	34	93	Nicosia	C	33	91	Tunis	S	35	95
Cairo	S	33	91	Jersey	S	20	68	Oporto	S	23	73	Valencia	S	29	84
Cape Town	S	20	68	Jo'burg	S	17	63	Oslo	S	21	70	Venice	S	28	82
Caracas	C	25	77	Lima	C	20	70	Paris	C	19	66	Vienna	S	27	81
Casablanca	C	25	77	Lisbon	S	34	93	Peking	S	30	86	Warsaw	F	28	82
Chicago	R	32	90	London	C	22	72	Prague	R	22	72	Washington	-	-	-
Cologne	F	20	68	Los Angeles	C	26	79	Reykjavik	S	10	50	Zurich	TH	21	70
Copenhagen	S	21	70	Luxembourg	C	19	66								
Corfu	S	28	82	Madrid	S	29	84								
Dallas	-	-	-	Majorca	S	28	82								
Dublin	F	15	59	Malaga	S	27	81								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Cockfield tax plans

Continued from Page 1

are greatly reduced. He proposes a maximum 5 per cent variation in VAT rates, and common excise duties.

The proposals now under discussion provide for two Vat bands, a standard rate of between 14 and 19 per cent, and a reduced rate for necessities of between 4 and 9 per cent. There is no special provision for the current zero VAT rates in the UK and Ireland on items such as food, books, and children's clothes and shoes - but the Commission will make it clear that both governments can ask for special exemptions from the common rules.

Mr Stanley Clinton Davis, Lord Cockfield's fellow British Commissioner, argued for a more flexible attitude on zero rates, while Mr Carlo Ripa di Meana, the junior Italian Commissioner, wants a special deal for low VAT rates on books and newspapers.

The other two major objectors, Mr Henning Christophersen, the Danish vice-president, and Mr Claude Cheysson, the junior French Commissioner, are concerned that the whole package is too radical

INTERNATIONAL APPOINTMENTS

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Senior change at Cetus

BY OUR FINANCIAL STAFF

CETUS CORPORATION, Californian bio-engineering concern, which is involved in the anti-cancer industry, has appointed Mr Hollings C. Renton chief operating officer.

Mr Robert A. Fildes is to remain president and chief executive of the company, in which Squibb, the US pharmaceuticals concern, also based on the US west coast, recently agreed to take a 5 per cent stake, as part of a broader agreement in which the two companies set up plans for a joint venture in the field of developing and marketing bio-technical drugs.

Mr Renton takes on his new post alongside his position as executive vice president.

★ ★ ★

LOTUS DEVELOPMENT, the US personal computer software company, has appointed Mr Robert P. Schechter vice president of finance and operations and chief financial officer, writes our San Francisco correspondent.

Although new to the lotus staff, Mr Schechter helped to shape the company's accounting and financial systems in his previous position as managing partner for Coopers and Lybrand's, the accountants, technology clients.

"Mr Schechter's work for Lotus, coupled with his extensive experience with technology companies make him an ideal choice to head our financial and operations areas," says Mr Jim Manzi, the Lotus president and chief executive. Lotus apparently means to put all Mr Schechter's experience to work: "His strong skills in mergers and acquisitions, taxation, treasury and SEC (Securities and Exchange Commission) regulations will help us build a financial organisation that will support our company's growth and diversification into the 1990s," says Mr Manzi.

Mr Schechter takes over from Mr Mick Prokopis, who left the firm last month "on good terms to pursue other business interests."

Dravo elects president

DRAVO CORPORATION, the Pittsburgh construction and engineering services group with interests in natural resources, has appointed Mr William Roth president and chief operating officer.

Mr Roth moves from the posts of president and chief operating officer of American Standard, of New York, which commands, at over $2bn, double or more the annual sales of Dravo, and which has its interests in transportation and building products, as well as printing and air conditioning.

Mr Roth takes over from Mr Robert Dickey, who returned to the positions in January, out of retirement, following the resignation of Mr Thomas Faught.

★ ★ ★

GENERAL FOODS, the US retailer which was acquired in 1985 by Philip Morris Companies, the New York-based tobacco to brewing to food concern, has appointed Mr John M. Keenan a vice president, and Mr F. M. Kuijpers a vice president.

Mr Keenan, president of General Foods Europe since 1982 has lately added to his responsibilities those for its Canadian and food-away-from-home operations.

Mr Kuijpers, along with his new appointment, is to manage Hag-GF in Germany, Austria, Switzerland and the Netherlands, in addition to his responsibilities for General Foods in France and Italy.

Switch in top AKG management

By Judy Dempsey in Vienna

AKG (Akustische U. Kino-Geraete Gesselschaft) the Austrian acoustics company has announced senior changes in its team management, to come into effect in November.

Mr Helmut Gunst is to join the top management as member of the managing board of the AKG Gesellschaft and AKG Holding divisions. Mr Gunst is at present head of the consumer products division of Philips Austria.

Mr Leo Steinkellner, president of AKG Gesellschaft and AKG Holdings is to remain chairman of the boards of AKG Gesellschaft and AKG Holding. Mr Peter Hillebrand, the present vice-president of AKG Gessellschaft and AKG Holding, is to leave the company at the end of the year.

AKG Holding is one of the shareholders of AKG Gessellschaft. AKG Holding's major shareholders include Philips Austria and Austria's Girozentrale Bank and Oesterreichische Laenderbank.

★ ★ ★

TIME INC, the US publishing house, has announced that Mr John Howard, 40, director of information resources, is to become director of information and customer services for the magazine group and the presidend of Time Customer Service, reports Reuter.

New chief for Citibank Canada

BY OUR FINANCIAL STAFF

CITIBANK CANADA, the wholly-owned subsidiary of Citicorp, the holding company of Citibank, the largest bank in the US, has appointed Mr Frederick Copeland, Jr, 45, president and chief executive, in succession to Mr C. Robert Burgess, also 45, who has resigned to pursue other business interests.

Mr Frederick Copeland, Jr: taking over the helm of Canada's largest foreign-owned bank.

Citibank Canada claims to be Canada's largest non-Canadian owned bank, with C$4.5bn (US$3.4bn) of assets. Its parent also claims the position of the world's largest bank, having in recent years overtaken Bank-America, of California.

Mr Burgess is leaving Citibank Canada after two years heading the company. Before moving to the lead of the Canadian offshoot, he was involved in Citibank's real estate business in the US and Canada.

Mr Copeland moves to a job which puts him in charge of a company with corporate, consumer and investment banking operations spread about the country. He also takes the responsibility for co-ordinating the activities of Citicorp in all fields across the country.

Mr Copeland takes up the Canadian post after being in charge of Citicorp's operations in Taiwan for four years. Previously he co-ordinated the banking concern's institutional corporate operations in the south west of the US.

★ ★ ★

CITIBANK has appointed Mr J. L. Davies, vice president in charge of marketing and strategic planning for its consumer services group international, which operates some 68 consumer financial businesses in 40 countries outside the US.

Mr Davies joins Citibank after serving as an international general manager—most recently with RCA / Ariola Europe, where he was a vice president based in London.

Accountancy Appointments

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Several of our valued clients are insisting on qualified or accountants without formal qualifications but extensive bank accounting experience. Positions we are currently recruiting for include:—

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LME ACCOUNTANT for leading international securities house—To £25,000.

RECENTLY QUALIFIED ACCOUNTANT to join financial accounting section of International Securities House—To £22,000.

QUALIFIED ACCOUNTANT for expanding European Bank to assist with financial control, reporting and management accounting—c£22,000.

Please contact:
Annette Tassi
on 01-588 3991

OLD BROAD STREET BUREAU LIMITED
CONTACT SHEILA JONES
OLD BROAD STREET
LONDON EC2N 1AP
01-588 3991

INFORMATION SYSTEMS ACCOUNTANT

City Neg: c£27k + benefits including bonus and car

Our client is a leading firm of stockbrokers. Following a reorganisation, a number of distinct profit centres have been established and this has led to the requirement for an Information Systems Accountant.

Reporting to the Finance Director you will be responsible for developing information systems for all aspects of the company's activities; principal responsibilities will include management reporting covering departmental profitability, budgets, ad hoc reports, and financial costings for strategic planning.

Your experience should include operating costing systems and management reporting. Financial Services experience is not a prerequisite but would be an advantage.

Candidates should be qualified accountants and are likely to be in their late 20s to early 30s. In addition, you should have the ability to relate to senior executives and to work independently.

Please forward an up to date CV including daytime telephone number to **Bruce Page CA or Colin Vasey** at Douglas Llambias Associates Limited, Financial and Management Recruitment Consultants, 410 Strand, London, WC2R 0NS, **quoting reference no. 7804.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
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LONDON LIVERPOOL MANCHESTER ABERDEEN EDINBURGH GLASGOW
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In the accountancy or financial field our team of consultants, all of whom have had managing director level experience, can help you.
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32 Savile Row, London W1. Tel: 01-734 3879 (24 hours)

Connaught

Appointments Advertising

£43 per single column centimetre
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For further information call:

01-248 8000 Daniel Berry Ext 3456 Tessa Taylor Ext 3351

INTERNATIONAL TREASURER

c US$100,000 + Full expatriate benefits

An expanding international direct investment management company, based in Dubai, seeks a Treasurer to establish and develop a treasury function to support its operations.

Reporting to the General Manager, the person appointed will assume control of the formal treasury management functions for the company and, as an executive of the company, play a part in developing business strategy and reviewing overall company performance.

Responsibilities include:

- *Establishing* a function, developing policies, procedures and investment strategies.
- Treasury management, short, medium and long term funding in various currencies.
- Debt management.
- Foreign exchange exposure management.

Candidates must be qualified accountants with extensive experience of an international treasury function at a senior level, ideally gained in the financial services sector. Previous exposure to the international markets and a knowledge of the major institutions in the region is essential, though experience in the Middle East is not required. The position requires a confident, mature and adaptable personality.

In addition to an attractive salary, the package will include accommodation, air fare and a two year renewable contract.

Please write in confidence, enclosing career details and quoting reference A5657/1 to Anne Routledge.

KPMG Peat Marwick McLintock

Executive Selection and Search

9 Creed Lane, London EC4V 5BR.

Corporate treasury position

London based, c £28,000

C&L

A major publicly quoted UK based industrial holding group, with turnover in excess of £350 million, and substantial international interests, is seeking a person for a treasury position, reporting to the Group Financial Controller.

The Group has grown substantially in recent years, with a number of acquisitions *having been made, both in the UK and overseas, which is expected to continue.* This has led to treasury management becoming an increasingly more important role within the relatively small Head Office team in which the person will be operating. The Group is therefore looking for someone to continue to develop the Group's cash and FX management procedures.

Aged about 30, you will be a graduate and professionally qualified with at least four years experience in banking or in the Corporate Treasury Function.

Résumés, including a daytime telephone number, to Tony Potter, Ref. TP731.

Coopers &Lybrand Executive Selection

Coopers & Lybrand
Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

PA TO PARTNER
£26,000 + SHORT TERM PARTNERSHIP

Small-sized W1 practice seeks an ACA with at least two to three years' post-qualification experience within the profession. Good planning and communication skills are essential, combined with a solid general-practice background.

A good client record and proven leadership skills are prerequisites for this challenging and rewarding post.

Please call David Paton on 01-734 4820 or 0737-782094 (evenings). Alternatively write to Finance Recruitment, Grafton House, 2/3 Golden Square, London W1.

Appointments Advertising

£43 per single column centimetre

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For further information, call:

01-248 8000

Daniel Berry
Ext 3456

Tessa Taylor
Ext 3351

SPONG

Group Financial Controller

Finance Director Designate

Central London £30,000 +

Spong Holdings plc is a fast expanding Group serving consumer markets with traditional products and services, focussing on brand leadership, quality and design of product, and professional management. There are at present three divisions – Clothing, Housewares and Retail Merchandising Services – each operating as a separate profit centre.

Recent acquisitions and plans for future development require the appointment of a Group Financial Controller, reporting to the Executive Chairman, to join a small head office team. This is an opportunity to join a dynamic, growth oriented business, with a view to becoming Finance Director in due course.

The ideal candidate will be a qualified chartered accountant, probably in his or her 30s, and number two in the accounting function of a medium sized acquisitive company. First class technical skills, a proven record of achievement and of pro-active involvement in the business are fundamental. Energy, social skills and a sense of humour are essential assets.

Remuneration package to include Car, Share Option Scheme, plus normal other benefits.

Please apply with a full CV including current salary and a day-time telephone number, and quoting reference 1499, to:

BinderHamlyn MANAGEMENT CONSULTANTS

Roger Bull, Executive Selection Division,
Binder Hamlyn Management Consultants,
8 St Bride Street, London EC4A 4DA

Prudential-Bache Securities

YOUNG ACAs WITH INVESTMENT BANKING EXPERIENCE

Package c.£30,000

LONDON ✱ NEW YORK ✱ MELBOURNE ✱ TOKYO

Prudential-Bache is a leading investment services company that is part of the $134 billion Prudential Insurance Company of America, the largest private non-bank financial institution in the world. As part of their continuing expansion they now require high calibre individuals to strengthen their London based international audit function.

The position offers outstanding opportunities for accountants and auditors who have entered the new fields of activity within international finance (particularly in equities and fixed income products) and who wish to gain broader exposure across the range of global financial services before developing their careers in other management areas of the organisation in the UK or overseas.

Candidates will probably be Chartered Accountants with investment banking experience, either within a major accountancy firm or an investment bank, who feel that their present organisation cannot match their potential. Such constraints do not exist within this rapidly expanding and demanding environment.

We have been retained to select a high quality short-list of applicants and interested candidates should contact Suzie Mummé on 01-248 3653 (0932-220151 evenings/weekends) or write, enclosing a detailed curriculum vitae. All applications will be treated in the strictest confidence.

60, Cheapside, London EC2V 6AX

BBM ASSOCIATES

Telephone: 01-248 3653

CONSULTANTS IN RECRUITMENT

Commercial/Finance Director

At least £40,000 plus sizeable bonus potential

Our client, a major division of a well-known public group, is engaged in the importing, marketing and distribution of consumer goods on a substantial scale. Long-term growth of profitability has been sustained by a decentralised management team enjoying considerable autonomy within the overall context of the group.

There is a requirement for a high calibre Commercial/Finance Director to join the board. This challenging role demands considerably more than a normal Finance Director's position in that, as well as total responsibility for the finance function, the successful candidate will negotiate a number of major supply and transportation contracts.

It is essential that, in addition to first-rate financial management skills, candidates should have a breadth of commercial experience covering the negotiation of complex, transnational contracts. Aged 40 to 50, you will have a background in a relevant environment which could be a major capital goods or f.m.c.g. manufacturing company or a large trading group.

Personal qualities should include maturity, strength of character and excellent communication skills.

The remuneration and benefits package is unlikely to be a limiting factor and reflects the seniority of the appointment.

If you consider that you meet these requirements, please write – in confidence – with full career details, including current salary, to Nigel Bates, FCA, ref. B.34007.

MSL International

MSL International (UK) Limited,
52 Grosvenor Gardens, London SW1W 0AW.
Offices in Europe, the Americas, Australasia and Asia Pacific.

ALEXON

Financial Controller

Milton Keynes

Retailing through concessions and its own portfolio of shops, our client manufactures and markets a range of highly regarded consumer products. Turning over £25 million, the profitable company, a division of Alexon Group plc, is expanding its operations in Europe and the USA.

As a senior member of the management team, the Financial Controller will be totally involved in the company's continuing growth. Reporting to and working closely with the Financial Director, he or she will supervise the accounting function, initiate further systems development, review and interpret management information and carry out a range of projects. The Controller will have influence in all areas of the business.

Aged around 30, applicants should be qualified accountants, ideally with broad commercial experience gained in an f.m.c.g. environment.

Please write, enclosing a career/salary history and daytime telephone number, to *David Hogg FCA* quoting reference H/619/MF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

CHALLENGING ANALYTICAL DEVELOPMENT

Young Qualified Accountant **c. £20 - 22,000 p.a. plus car**

Our client has a turnover in excess of £700m and operates in a competitive consumer-related product and service market, where the ability to meet changing customer demands is essential. This creates the need for flexibility, innovation and change, whilst maintaining the control and efficiency of the business. Essential to the progress of the company in this environment are the development and reliability of its operational and financial practices and the availability of timely and accurate business information and advice. The continuous input and involvement of its financial teams are crucial.

As a result of this continued development, an opportunity has arisen for an additional individual to join a key finance team. The team itself is involved extensively in the analysis and review of performance of the business and its controls, processes and systems. The results of these activities will take the form of proposals and recommendations to Main Board Directors.

Members of the team will by necessity be capable of early visibility and a high degree of exposure to Senior Management and Directors. The role of the department is also seen in terms of contribution to overall company development, and hence individuals are expected to consider their involvement in terms of an ability to "add value". It is therefore essential that successful applicants be commercially aware with a questioning mind and a pro-active approach. Strong communication and interpersonal skills are likewise vital. Applicants will be qualified Accountants and will have gained post-qualification high level exposure either with the Profession, Industry or in Consultancy.

If you are interested in the above please write to Karen Wilson BA, ACMA (enclosing a recent CV, a note of current salary and mentioning any companies you would not wish your details forwarded to) at Financial Management Selection Ltd., 21 Cork Street, London W1X 1HB.

Financial Management Selection

Specialist Search and Selection Consultants

Stockbroking

Finance and Operations

City *c. £40,000 + benefits*

A major UK bank seeks a Finance and Operations Director for its expanding stockbroking business based in the City.

Reporting to the Group Finance and Operations Director, you will be expected to effectively manage the financial control of the institutional equity agency and broker dealer principal business. You will also ensure that recently implemented operational controls and procedures are maintained.

Probably aged 28-40 you may already have good stockbroking or investment management experience, or you may have trained within the accountancy profession and seek a challenging change of direction. Personal qualities must include proven leadership ability.

The remuneration package will include a performance related bonus, a non-contributory pension scheme and other benefits. Sufficient flexibility is available to meet the expectations of an ideal candidate.

Please send full personal and career details in confidence to Alison Hawley, quoting reference 5020/FT on both envelope and letter.

Deloitte Haskins+Sells

Management Consultancy Division

P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

هكذا من الأصل

FINANCE DIRECTOR

Leasing and Distribution

£30,000 + car + bonus

Since its inception in 1983, our client has doubled its turnover each year to reach £7.4m with pre-tax profits of £500,000. The group's success is attributable to finance-based packages which support its office equipment distribution side, and it is looking for a market listing late in 1988.

In order to achieve this, the group seeks a Finance Director who will take a front-line role in the development of the group and its products. The director will also represent the group in the financial markets and be the point of contact with its own funding sources. The role will be based at the administrative offices near Reading but will require much time to be spent in the City and at the group's Docklands sales office.

Candidates should be qualified accountants with a creative and entrepreneurial approach. They should have experience of company financing and leasing, and be able to contribute to the financial and marketing policy of the group. Drive and enthusiasm are essential qualities, as are good interpersonal skills and flexibility.

Please write in confidence, enclosing full career details and quoting ref: C7153 to Jane Woodward.

KPMG Peat Marwick McLintock

Executive Selection and Search

9 Creed Lane, London EC4V 5BR

Assistant Financial Controller

West End

c£35,000 + car

This client is a leading retailer, with international interests. Due to promotion there is a requirement for a qualified accountant to join the Group's head office and to manage a small, professional team.

This role, within an informal but highly successful environment, will involve considerable liaison with the main board and subsidiary senior executives. The individual will be responsible for the group accounting function, the appraisal of subsidiaries' performance and commercially biased projects on an ad hoc basis.

Candidates should be qualified accountants, with the ability to communicate effectively, have an analytical and a practical approach to problem solving. Age indicator 28-34.

The group seeks to expand by internal organic growth coupled with acquisition both in the UK and overseas. Thus they are able to offer good career prospects and attractive remuneration package including share options.

Please write enclosing full resume quoting ref: 131 to:
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SECTION AND SEARCH

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For further information, call:

01-248 4782

Daniel Berry Ext. 3456

Tessa Taylor Ext 3351

CORPORATE TAX ACCOUNTANT

British Airways is acknowledged as one of the world's leading airlines with an organisation requiring tax planning on a global scale.

We need a capable, qualified accountant, probably aged 25-30, to make a valuable contribution in the further development of our Group Tax Department. You should have 1-2 years tax experience and be able to work with the minimum supervision on a varied range of projects — including the preparation of both UK corporation tax and deferred tax computations, and assisting in the tax planning of a major transnational business.

You must have the ability to work as part of a dedicated team with worldwide responsibilities and have a good basic knowledge of relevant tax legislation. Some experience of using personal computers for computations is important.

Whilst this is an opportunity to develop your career experience, you will have already consolidated your analytical and communication skills necessary in any entrepreneurial role.

In return for your commitment and expertise, we can offer you an attractive salary plus a full range of benefits including profit sharing, holiday bonus, contributory pension scheme and favourable holiday travel opportunities.

Please write with a full c.v. including present salary level to: Recruitment and Selection, Ref: MA/214, British Airways plc, "Meadowbank", PO Box 59, Hounslow, TW5 9QX.

Closing date for received applications: 31st July, 1987.

BRITISH AIRWAYS

The world's favourite airline.

Assistant Group Accountant

major international plc

London W1 **ACAs mid/late 20s** **c£22-25,000 + car**

A rapidly changing public group, our client has substantial worldwide interests. Recent restructuring and planned further growth, including acquisitions, will enable it to react to market requirements and consolidate its existing strong position.

This new post is seen as a vital part of the development of the new young central financial team. As a key member of a small unit reporting to the Group Accountant, you will work closely with corporate treasury, tax and other financial specialists as well as senior managers in subsidiaries.

Wide ranging responsibilities including the preparation of group management and statutory accounts and plans and a significant amount of development work will ensure that the role is both challenging and fulfilling.

Applicants should be highly motivated graduate Chartered Accountants with at least two years' post qualification experience gained in either the profession or industry. Experience of consolidations and statutory and Stock Exchange requirements is essential and exposure to US accounting requirements would be advantageous.

Salary is negotiable depending on age and experience.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/618/GF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

UK Treasurer

London **c£30,000 + car**

Our client is a major international industrial group with a worldwide turnover around £1,000m. An exciting development strategy is being pursued, and a strong treasury function is an integral part of the Group's philosophy.

Reporting to the Group Treasurer and managing a small team, this key development role will involve responsibility for the Group's UK cash and foreign exchange management, and other treasury operations. Initial responsibilities will include selecting and installing a computerised treasury management system, establishing a foreign currency dealing service and re-specifying operational banking requirements.

Suitable candidates, aged 28-35 are likely to be graduates with an MBA or appropriate professional qualification. Relevant treasury management experience is essential, as are strong interpersonal skills, initiative and drive.

If you have the skills and ambition to succeed in this role, please write to **Barry A. Ollier ACA, Executive Division,** enclosing a comprehensive C.V. and daytime telephone number at **39-41 Parker Street, London WC2B 5LH, quoting ref: 431.**

MP

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International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

Divisional Finance Director

WH

WILLIAMS HOLDINGS PLC

Williams has grown from a turnover of £5m to £600m in 5 years, through acquisition and organic growth. Further planned development will increase turnover to the £1 billion mark. The business is split into divisions for management purposes.

The requirement now is to recruit a high-calibre Divisional Finance Director. The candidate will be well qualified and experienced, and have successfully demonstrated ability to conduct financial analysis, implement policies and influence the growth and direction of manufacturing, distribution and marketing led companies.

Candidates aged 30–50 must have several years experience responsible for the financial affairs of autonomous medium sized companies. They will be used to working closely alongside a chief executive and require a combination of intelligence, drive, commercial flair and vision. It is essential that they possess the toughness and endurance to rise to the challenges and demands of a dynamic environment. They must be willing to adopt a "hands-on" approach to make things happen.

A substantial negotiable salary, quality car and usual large company benefits, coupled with the outstanding opportunities for rapid career progression within Williams, make this an outstanding opportunity for the right person.

If you are able to meet this specification, please write with full career details, quoting ref. AR. 3011 to John Cornish, March Consulting Group, March House, 13 Park Street, Windsor, Berkshire SL4 1LU.

MARCH

CONSULTING GROUP

CORPORATE ACCOUNTANT

c £20K Neg. + Car **City**

For the financial services division of a major insurance broking company, part of a well known British group.

Reporting to the Financial Controller and with responsibility for a small staff, your primary duties will be the management and development of:–

- *MANAGEMENT ACCOUNTING AND REPORTING*
- TREASURY AND FOREX OPERATIONS
- *MAINFRAME AND PC BASED INFORMATION SYSTEMS*

Additionally you can expect to become closely involved in acquisition studies and proposals during a phase of planned expansion and growth.

Eligible candidates will be qualified accountants (ACA, CIMA, ACCA), aged 25-29, with a relevant background of experience in a commercial environment.

mh

Applications with full CV to Jenny Tucker under ref: A051
Mervyn Hughes International Ltd., Management Recruitment Consultants,
63 Mansell Street, London E1 8AN. Tel: 01-488 4114.

FINANCIAL CONTROLLER

£25,000 PLUS BENEFITS PLUS SHARE OF THE ACTION

Based in the West End of London the group is a rapidly growing firm of brokers with a reputation for innovation and marketing excellence.

Recent expansion and the need to face the existing new environment after the Financial Services Act has created a position which will be a key member of the management team with an active role in decision making. You will work alongside the directors in developing effective planning and budgeting backed by accurate management information and financial systems. Tight cash control and a continuous review of operational costs are ongoing requirements.

The ideal applicant will be: Qualified with 3 to 5 years commercial experience; Imaginative and able to communicate well; Ambitious yet dedicated to producing the goods.

The group offers an excellent salary package with the definite opportunity for the successful candidate to participate within an equity incentive and to become Financial Director.

Interested applicants should reply in confidence by forwarding full career details to:
P. Ashley, Kabel Halsey Group, 38 Soho Square, London W1V 5DF

Investment and Financial Director

City — **Salary c£80k + Car + Equity Participation**

Our client is a well-founded technologically based Group of Companies backed by a leading City Institution. The Group has been established to develop and market a range of advanced products and processes in the UK and overseas. With the recent expansion of its activities through internal growth and acquisition, they now wish to appoint a Group Investment and Financial Director (Designate), who will also be expected to serve on the Boards of certain subsidiary marketing companies.

The successful candidate will be responsible for financial negotiations relating to the acquisition and development of further companies and products, and for enhancing and monitoring existing financial and management reporting systems. The post to be filled offers an outstanding challenge and opportunity for an innovative and entrepreneurial businessman.

Reporting to the Chief Executive, the appointee will be a Chartered Accountant aged between 35 and 45 with considerable financial drive and charisma. Experience in a corporate development role either in industry or the City coupled with a familiarity with the techniques of investment appraisal is essential. Some working knowledge of the handling of Government related projects is desirable.

Interested candidates who meet these demanding criteria should send a detailed CV, including current salary, to Andrew Sales FCCA quoting reference LM879A at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Executive Selection

Unique Opportunity
High Calibre A.C.A.
Securities Industry

Our client, a pre-eminent International Securities House, offers an exceptional career opportunity for a graduate Chartered Accountant, probably holding an internal audit or accounting position within the securities or banking sector, but seeking to move away from traditional operational review or line-accounting.

One of a small multi-discipline team, the successful candidate must develop and implement procedures and controls designed to ensure that Group Operations comply with major new external regulatory standards.

Success demands total commitment, a highly professional and creative approach combined with the ability to grasp complex technical and legal issues not normally within an accountant's frame of reference.

The company offers a competitive salary and benefits package and, for the right candidate, excellent career development opportunities.

Interested applicants should send complete career details to **Mike Masterson**, indicating clearly, in a covering letter the name of any organisation to whom details should not be forwarded.

the fleet partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101

COMMERCIAL ACCOUNTANT

Greater Manchester — up to £20K + Car

This is an exciting opportunity to join a substantial, rapidly expanding, successful company engaged in domestic, commercial and industrial improvement and refurbishment. With quality products and prestigious contracts, the business is poised for future growth.

Reporting to the Finance Director, the Commercial Accountant will be responsible for the accounting function of the non-domestic division.

Duties will include developing financial and management control systems and reporting, contract costing and control and efficient cash management.

Candidates must be qualified accountants, probably CIMA, in their 30s with relevant experience in the contracting or construction industry. Able to work in a fast moving environment, they will have a strong personality and good communication skills.

The remuneration will be as indicated and assistance with relocation will be considered where appropriate.

Please write in confidence with career and salary details to Peter C. Evans, quoting reference CA/7[illegible]

KPMG Peat Marwick McLintock

Executive Selection and Search
Century House, 7 Tib Lane, Manchester M2 6DS.

EXCEPTIONAL YOUNG ACCOUNTANT

You recognise your potential. We'll realise it.

c.£20k + car

Lex Automotive comprises:
- VOLVO CONCESSIONAIRES
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- SHAW & KILBURN
- GILBERT RICE
- SMT
- TRANSFLEET SERVICES
- HARVEY FORK TRUCK HIRE
- LEX COMMERCIALS

Lex Automotive is an outstandingly successful organisation. We are the foremost automotive group in the UK, increasing market penetration through growth and acquisition.

It is at the Group head office in London that we are looking to appoint an exceptionally talented and recently qualified young graduate Accountant, probably from one of the major Professional Firms, to work directly with the Director of Finance and Planning on key projects related to the far-sighted development of Group business activities.

This is a highly visible role with direct involvement at the heart of the organisation and its future development. It's an outstanding career opportunity for a proven high flyer in their mid 20s, who recognises their own potential to make a significant contribution within a progressive commercial environment.

We believe in developing people to achieve their full potential. The experience you gain will provide a valuable route to further financial or line management roles within the organisation.

The package offered reflects the calibre of person we are looking for – a salary of around £20,000 together with prestige company car and other major benefits.

Please write with full personal and career details, outlining the particular qualities you possess that make you an exceptional candidate for this role to: Christine Sewell, Personnel Administrator, Lex Automotive Limited, Lex House, 17 Connaught Place, London W2 2EL.

Lex AUTOMOTIVE

International "Trouble-Shooter"

Central London — **circa £23,000+ overseas benefits**

Our client, part of a major UK PLC, is a leading international freight forwarding company operating its own subsidiaries in over 20 countries.

Following a substantial acquisition, they now seek to appoint an international financial "trouble-shooter" to strengthen their financial team.

Reporting to the Group Finance Director and working closely with Regional Finance Directors, the successful candidate will be involved in the appraisal and subsequent integration of acquisitions, on-going operations review, systems development and project management.

Candidates for this appointment will be qualified accountants aged 25 to 30 years who have a high degree of flexibility, as it is envisaged that the majority of time spent in any one year will be overseas.

This is an ideal opportunity to move into an international operations role with an expanding organisation which can provide excellent opportunities for further career development.

Interested applicants should write enclosing a full C.V. and quoting reference 13/14 to:-

AGB Executive
173 SLOANE STREET
LONDON SW1X 9QG

Selection Consultants

Central London

Over the last ten years **Lloyd Management** has gained an acknowledged reputation for providing a high quality selection service. Our client base is impressive, ranging from major multinationals to small developing businesses.

We are now undertaking our most difficult assignment. We are recruiting for ourselves. Keen to expand, we are seeking additional consultants – either **individuals or an existing self contained team.**

We are only interested in the best. Self sufficiency, professionalism, proven track record and commitment to build a long term future as part of a highly personal consultancy are overriding requirements. In return we will provide a remuneration package which will relate directly to your own performance and which will not be bettered elsewhere.

Age is immaterial and although we are all qualified accountants, we are not restricting our search to our own discipline.

Please write with a full career/salary history or telephone John P. Sleigh FCCA on 01-405 3499 (evenings 01-398 4470).

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Senior Management Accountant

Berkshire — c.£23,000 + car

This major plc, with a turnover in excess of £220m and subsidiaries throughout the world, manufactures and distributes a wide range of industrial textile products.

As a result of the group's continual expansion, both organically and through acquisition, a Senior Management Accountant is sought to join the small, highly motivated management team at corporate headquarters.

You will principally be responsible for the analysis and consolidation of subsidiaries' monthly reports for submission to the Board. You will also assist in preparing statutory consolidated accounts, corporate planning and budgeting, and trouble-shooting in newly acquired subsidiaries.

A qualified accountant aged 30-40, with management accounting experience gained in a large manufacturing organisation, would be ideal. Experience of using computerised systems, the ability to work autonomously, and good communicative and administrative skills are essential.

Career prospects are excellent.

To apply, please send cv to Fiona McMillan, **Ref: 1586/FM/FT.**

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Stockbroking

Finance & Operations Director

Bristol — *c. £60,000*

A well respected plc with extensive involvement in the Financial Services Sector, seeks a Finance and Operations Director for its expanding stockbroking business based in Bristol.

Reporting to the Group Managing Director the person appointed will take complete responsibility for effective financial and operational control of both the traditional agency business and the expanding market making operations.

Candidates for this important senior appointment are likely to be aged 35-45 and should have substantial relevant experience in stockbroking or investment management. However, an experienced accountant with proven management and leadership ability, may find this appointment an opportunity for moving into the Financial Services Sector.

The remuneration package will include a company car, a performance related bonus and a non-contributory pension scheme. Sufficient flexibility exists to reward an outstanding candidate.

Please reply to Barry Underwood, in strict confidence with details of age, career and salary progression, education and qualifications, quoting reference 5021/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL.

ACCOUNTING FOR ENERGY

Amerada Hess is one of the world's major oil producers with worldwide assets of $5bn and one of the top 10 North Sea operators. At the forefront of technological development for the cost-effective production from today's fields, the company has a firm foundation for growth.

Vital to the success of the operation is an efficient and highly effective accounting function. *Careful monitoring and control of its operations has* permitted Amerada Hess to react quickly to changing market conditions and this has depended upon the expertise of the close-knit accounting team.

As part of its continued growth Amerada Hess now seeks to recruit four more qualified accountants. Each position offers immediate responsibility and excellent prospects for development within this exciting and challenging industry as well as an attractive remuneration package.

A qualified accountant with strong management skills and a minimum of 4 years post-qualification experience will succeed in this role. The role will also appeal to more mature candidates having significant relevant experience. (Ref 7271)

SUPERVISOR

As the involvement of Amerada Hess in the North Sea expands, the need for close supervision of its many operations also increases. The Supervisor will be responsible for all financial and management accounting and for reporting to senior UK and US management.

The position calls for extensive experience of the oil and gas industry and familiarity with UK and US reporting as well as with UK Tax legislation.

AUDITOR

Operations audit is viewed as a key contributory role within Amerada Hess and an additional auditor is now required to ensure that all facets of the operation are adequately covered. The specialist nature of oil accounting and operations makes this an exceptionally challenging role requiring an accountant with extensive oil industry experience.

A strong personality and well developed communication skills are essential. (Ref 7272)

2 FINANCIAL ACCOUNTANTS

North Sea operations are major investments involving joint ventures. Amerada Hess is a party to nearly 100 of these, which are subject to corporate accounting and reporting requirements, and where Amerada Hess is the operator involve comprehensive reporting to partners.

With the growth of this involvement Amerada Hess needs to strengthen the Joint Venture and Corporate accounting teams and seeks an additional accountant for each. Two years post-qualification experience or equivalent, ideally in the oil industry, is necessary for these positions. (Ref 7273)

If you are seeking a challenging role in one of the most exciting industrial sectors and are looking for a remuneration package that matches up to your ability, please write to **Jo Cutmore** at **Jamieson Scott** quoting the above references and enclosing details of your career to date.

AMERADA HESS

PLEASE WRITE, QUOTING RELEVANT REFERENCE NUMBER, TO JO CUTMORE AT **Jamieson Scott** MANAGEMENT SEARCH, LLOYDS AVENUE HOUSE, 6 LLOYDS AVENUE, LONDON EC3N 3AX.

FINANCE DIRECTOR (DESIGNATE)

c. £30,000 + Car

Christie-Tyler PLC, the leading furniture manufacturer in the UK and a member of the Hillsdown Holdings Group, has a vacancy for a Finance Director at one of its subsidiary *companies. The company, which is based in South Humberside, is fully autonomous and* a market leader within the upholstery industry and is currently involved in a major £7 million expansion of its activities.

Candidates, preferably between 28 and 40 years, must be qualified Accountants with previous experience at a senior level in industry or commerce. The person must have sound commercial awareness and be prepared to take an Active role in the general management and development of the Company in addition to controlling all financial and administrative aspects.

This is an excellent opportunity in an interesting environment and offers good prospects for further career development within the group. The package includes a basic salary plus a bonus based on results together with benefits which include a car, pension, free life assurance and BUPA and relocation assistance.

Please apply with full career and personal details to:

K.C. O'Sullivan, FCA, Finance Director,
Christie-Tyler PLC, Brynmenyn, Bridgend,
Mid Glamorgan CF32 9LN.

CT

Financial Controller/ Director Designate

c£20,000+car +benefits

Hampshire

This Motor Group is a young, dynamic *company and part of a Group of companies* committed to continued growth and success.

A Financial Controller/Director Designate is needed to join an enthusiastic management team at the new £1.5m premises, including offices and showroom. Key responsibilities will include the management and development of accounting services to the Motor Group, financial planning and control, improving profitability, formulating a business planning strategy and performing company secretarial duties. Reporting to the M.D. and with 20 staff on 4 sites, you must show management capability and be able to work under pressure to tight deadlines.

Aged under 35, you should be professionally qualified with a few years experience in a dealership. Experience of DARTS or similar is preferred.

Please write with c.v. or call Mrs S Kellaway, LINK Management Selection, 51/53 London Road, Southampton S01 2AD. Tel: 0703 339442.

LINK MANAGEMENT SELECTION

A Member of the LINK Recruitment Group Limited

FINANCIAL DIRECTOR DESIGNATE

Peak District
Derbyshire

c£25K + bonus, car, pension, medical ins
Age indicator mid-30's

This expanding, privately-owned and profitable £4 million pa company, the market-leader in its field, is currently consolidating a recent acquisition and undertaking substantial investment in new plant and equipment.

A top flight professsional, fully qualified and computer literate, is needed to improve and integrate management information systems and take full responsibility for management of the financial function.

The successful candidate must have a broad financial experience gained within a manufacturing environment and should have the determination and business acumen necessary to succeed in a very competitive international marketplace.

Excellent remuneration and career prospects, coupled with the challenge of making a personal contribution to the direction and success of the company, will provide an outstanding incentive.

For further details and an application form, please write to Mr V. Burke, Senior Consultant – Human Resources, 3i Consultants Ltd., 34 Park Cross Street, Leeds LS1 2QH, or telephone Leeds (0532) 459469 (24 hour reply service), quoting Ref: NR/685.

3i Consultants Ltd
Human Resources Division

Finance Director

South West **Circa £30,000 + Car**

This is a rare opportunity for an accountant with keen commercial awareness to join a company committed to increasing market place penetration through diversification and acquisition. Working closely with the Managing Director, the appointee will need a disciplined approach and strong interpersonal skills to control the integration of this programme.

The company, through its considerable R & D expertise, has become the market leader in a unique range of latest technology products supplied to both the private and public sectors. The successful candidate will have a strong operational remit with both the multi-site manufacturing operations and a fast expanding network of distribution outlets. The ability to motivate a professional accounting team is therefore essential to ensure prompt and accurate financial reporting across all areas of the business.

These exciting growth plans will generate outstanding career prospects. The excellent salary indicated is supported by a comprehensive range of benefits, including full relocation expenses.

Interested applicants (male or female) should send a detailed CV or request an application form on 0625 533364 (24 hours) quoting reference 1230/FT.

Wickland Westcott & Partners
LONDON PARIS BRUSSELS DUBLIN
Executive Selection/Management Development
Springfield House, Water Lane, Wilmslow, Cheshire SK9 5QS.
Telephone: (0625) 532446.

Financial Manager

£22 – £24,000 + car, travel and other benefits

Following an internal promotion, we wish to recruit a commercially experienced qualified accountant (ACA/ACCA) to take full responsibility for the financial accounting within the Company.

Experience of computerised systems will be essential in this demanding and wide ranging role.

The position, which reports directly to the Financial Controller, calls for a *highly ambitious, self-motivated individual seeking a career move into an extremely* fast-moving and energetic environment. In your late twenties, you will have proven technical ability and be prepared to manage a team of around 30.

Please reply in strictest confidence, enclosing a full C.V. to:– *Mr. P. King*, Personnel Manager UK, Thomson Holidays, Greater London House, Hampstead Road, LONDON NW1 7SD.

Thomson Holidays

ACCOUNTING IN THE CITY

FINANCIAL CONTROLLER
£30,000 + Generous Benefits Package

The merchant banking division of a substantial international bank is seeking a qualified ACA, aged 28-33, with proven line management experience. Your role will encompass complete responsibility for the provision of financial information, streamlining the accounting operations and further systems enhancement. This is an excellent route to further your career in a prestigious bank and gain exposure to the most recent banking products. Ref: SA0457

INFORMATION MANAGEMENT
c£28,000 + Car + Bank Benefits

A strong career moulding role in a bank with global perspectives, which will involve you in systems development, structural reorganisation and direct control of management information. Your ability to identify precise requirements for information and the capability to communicate with the highest level of management will be important skills. You should be a qualified accountant aged 25-28 with a record of achievement in financial services. Ref: RS0479

Telephone or write to Richard Small on 01-256 5041 (out of hours 023-065 286)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

ACCOUNTING MANAGERS

TWO VERY SPECIAL OPPORTUNITIES

£27K PACKAGES INCLUDING CARS
SOLIHULL

3i has set new standards in the creative use of money. A highly successful private sector group, we provide business with long term investment capital through innovative, individual schemes.

We are in the process of restructuring our Accounts Department in order to improve our accounting controls. This, plus internal promotion, means we are now looking for two very capable, qualified Accountants with extensive post-qualification experience.

MANAGER DIVISIONAL ACCOUNTING

To support 3i's specialist operating Divisions; responsible for 9 staff.

MANAGER INVESTMENT ACCOUNTING

To handle the accounting for 3i's investment portfolio; responsible for 16 staff.

You will need proven technical expertise in accounting methods and demonstrated ability to handle others as well as considerable drive and flair. If you can also bring creativity and decision-making skills to bear in our highly professional environment, you can anticipate variety and scope, few if any other investment sector posts can offer you.

Based in our modern, superbly equipped Solihull offices, we offer a very attractive financial sector package including a company car, concessionary mortgage, free medical insurance, non-contributory pension and generous relocation assistance if appropriate.

To apply, please contact Paula Bates on 021-704 5181 for an application form, Investors in Industry plc, 31 Homer Road, Solihull, W. Midlands B91 3QA.

3i
A WEALTH OF EXPERIENCE

Company Secretary

Central London **£25,000+car +benefits**

Our client, part of a major UK PLC, is a leading international freight forwarding company operating its own subsidiaries in over 20 countries.

Following a substantial acquisition, they now seek to appoint a Company Secretary who will report to the Group Finance Director. The main responsibilities will be general secretarial practice, office and property management, annual returns, legal and *statutory* work and pension administration.

Candidates for this appointment will be experienced Company Secretaries/Accountants, aged 40 to 50 years, who are seeking a new and challenging role in an expanding and successful international Group.

Interested applicants should write, enclosing a full C.V. and quoting reference 13/13 to:-

AGB Executive
173 SLOANE STREET
LONDON SW1X 9QG

هكذا من الأصل

هكذا من الأصل

Chief Accountant

Key position for career progression

WEST END

c.£20,000 + excellent benefits

Our client is a large rapidly growing organisation which provides professional indemnity insurance. With customers throughout the world, it's turnover is in excess of £35 million and has a substantial investment portfolio. A Chief Accountant is now required to lead and direct the accounting team.

Reporting to the Financial Controller who is the Chief Financial Officer, the Chief Accountant will supervise a department of ten staff and ensure that systems and procedures are in place in order to produce an accurate nominal ledger monthly from a computer based accounting system.

The need is for a young, determined and capable ACA/ACCA with good man-management skills and the ability to liaise with the Management Accountant and other departments. Aptitude for problem-solving in a high volume environment is an absolute requirement.

Career prospects are excellent. If you believe you are up to this challenge, send a concise CV with salary history to Steve McBride.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division

186, City Road, London, EC1V 2NU.

IMPERIAL TRIDENT

'IN THE NEWS' Financial Accountant

c. £25k + package

As we announced last week, Trident Life and Imperial Life have joined forces to create a new and impressive force in the financial services sector. With the support of our parent company, the Canadian-based Laurentian Group, Imperial Trident is now ideally positioned to establish and consolidate a dominant position in the life assurance industry.

You will be responsible for the production of statutory and management accounts for senior managers at home and abroad, shareholders and the Department of Trade and Industry. Working to rigorous deadlines in a pressurised environment, you must have the leadership skills and flair for communication necessary to manage a 20-strong team.

Aged over 30, you must be a qualified accountant with a strong track record in a progressive, profit-oriented environment. Proven management ability is essential.

Salary will be supported by a car, family medical insurance, bonus, pension, life assurance and relocation assistance where appropriate. By the end of 1988, we will be moving our centre of operations from Gloucester city centre to a purpose-built office complex in the superb rural surroundings of Barnwood, Gloucestershire.

Please write with full CV to: Alan Austin, Personnel Director, Imperial Trident, 69 London Road, Gloucester GL1 3LE, or telephone Helen McCulloch for an application form, on 0452 500500.

Accountancy Personnel

Placing Accountants First

DIVISIONAL FINANCIAL CONTROLLER

Leeds — **Attractive Salary plus Car**

Ring Group of Companies Ltd

The Ring Group is an expanding and profitable group of companies with a turnover of over £25m engaged in the manufacture and distribution of lighting, electronic and automotive products.

Reporting to the Divisional Managing Director the Financial Controller will be responsible for the financial administration and data processing of our Automotive and newly formed International Divisions, playing a key role in their future development.

Applications are invited from qualified accountants aged 26-35 who have a track record of achievement preferably within a manufacturing based environment and have the capacity to develop at the pace being generated within the organisation.

The terms and conditions of employment will reflect the importance of this new post and will include the provision of a company car and benefits commensurate with a large organisation.

For further details, please contact: Accountancy Personnel, 9 East Parade, Leeds, LS1 2AL Tel: 0532 438384

FINANCIAL CONTROLLER

Isotron

Swindon — **£17-20,000 + Car**

Our Swindon based client, Isotron plc, provides services mainly to the medical industry. The company obtained a full listing in 1985 and is well placed for future expansion.

An excellent opportunity now exists for a qualified accountant, preferably Chartered and aged 25-35, with at least two years industrial experience.

The position involves management of the finance department, monthly reporting, budgets, taxation matters, and the development of more sophisticated management information systems. There are definite Board prospects and relocation assistance would be provided where necessary.

For further details, please contact: Accountancy Personnel, Bristol & West House, 10 Regent Circus, Swindon, SN1 1PP Telephone: 0793 612211

FINANCIAL ACCOUNTANT/COMPANY SECRETARY DESIGNATE

CHA COMPUTERS + COMMUNICATIONS

Northants — **c£17,000 + Car**

Exciting opportunity for an enterprising, dynamic individual, ideally CACA/ACA/ACIS within a progressive and expanding hi-tech computer and communications company currently awaiting PLC status.

The successful candidate must have proven experience of all financial accounting procedures, especially cash management and have the flair and ability to communicate with personnel at all levels.

This is a very senior and challenging position requiring hard work and dedication. The rewards and future prospects are outstanding.

Please write or telephone in the strictest confidence to Miss C. Ward.

For further details, please contact: Accountancy Personnel, Clarendon House, 36/41 Bridge Street, Northampton. NN1 1NG Telephone: 0604 21733

ACCOUNTANCY IN MUSIC MANAGER/ASSISTANT MANAGER

CONFIDENTIAL

EC4 — **£16,000–22,000**

An opportunity to move away from typical audit assignments and to become closely associated with the music industry is offered by this successful medium-sized City Practice.

An increasingly high profile reputation within the music industry has resulted in a growing need for key, quality staff.

Your brief is to co-ordinate and develop relationships with music clients as part of your responsibility for the management of these audits.

Applications are invited from qualified accountants who possess good communication skills and enthusiasm for the music industry. Some exposure to royalty accounting within a commercial or public practice environment would be an advantage, as would ambition, motivation and a versatile approach. Ref: JAS 4011.

For further details, please contact: Accountancy Personnel, 79 New Bond Street, London W1Y 9DB Telephone: 01-493 3813

Major opportunity for a management accountant with broad business horizons: secure your future with a Fortune 500 corporation as:

European Internal Auditor

to c£23,000 + car UK-based

Reporting to the European Audit Manager (whose office is in Holland) your role will be to guide and assist your colleagues in business, financial, manufacturing, marketing and sales management throughout Europe to achieve efficiencies and long-term business success through the maintenance of a corporate culture which is dedicated to growing the bottom line:

- participating in the planning of the European audit strategy.
- performing operational (c 70% of time) and financial (c 30%) audits
- identifying and reporting on opportunities to leverage profitability/meet perceived threats to operating effectiveness.

Probably 28-plus; ICMA or perhaps ACCA or equivalent and maybe with a business studies qualification; 5-10 years' experience – mostly or wholly gained in leading-edge manufacturing companies; with a domestic base which enables you to travel extensively in the UK and elsewhere in Europe – you'll relish new challenges and thrive in this high profile role. Write now with succinct/relevant career summary and salary statement, or telephone Roger Stephens/Ann Judge for a brief initial discussion. Ref. 8736.

Roger Stephens & Associates

Management · Search · Selection

Chequers House, 1-3 Park Street, Old Hatfield, Herts AL9 5AT. Telephone: 07072 75361/2.

Operations Manager

Futures and Options

Package c.£50,000

Our client is a self sufficient subsidiary of a major international financial services group based in London. The company is a significant participant in the futures and options markets worldwide with a strong institutional and trade client base.

The Operations Manager is responsible for a team of 20 staff engaged in client margining, US and London clearing (including deliveries) and DP support. The successful applicant will have a minimum of 10 years' experience in the futures industry and may possess a formal accounting qualification. In addition to technical expertise and risk management awareness we are looking for a strong man manager able to lead and motivate a team who must respond to the pressures of daily deadlines. A working knowledge of computer based futures accounting systems is essential.

An initial remuneration package of c.£50,000 pa is envisaged plus normal executive benefits. Career development prospects within this highly innovative company are excellent, and will be limited only by the ability and aspirations of the successful candidate.

Applications in strict confidence under reference OM19347/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager:

Campbell-Johnston Recruitment Advertising Limited

3 London Wall Buildings, London Wall, London EC2M 5PJ.

GROUP FINANCIAL EXECUTIVE

Telford c.£25,000 + Car + Bonus

Our clients are a major diversified public group currently engaged in a period of rapid expansion, both organic and by acquisition. The group has interests in materials handling and storage; office equipment; and engineering.

A new position of Group Financial Executive, reporting to the Group Finance Director, has been created to assist in this programme of growth. This represents an exciting and challenging opportunity, and responsibilities will include:

- the review and investigation of potential acquisitions, acting as main point of contact for the City;
- involvement in negotiations to purchase suitable companies;
- all aspects of corporate planning, and
- 'trouble-shooting' in problem subsidiaries.

Such a demanding role is clearly only open to those candidates who can demonstrate strong commercial/financial acumen, coupled with a sound working knowledge of acquisition and corporate planning work. Such experience should have been gained at group level within a public company.

Excellent future career and salary prospects are available for a talented and ambitious individual. Applicants must be qualified accountants with several years' post qualifying experience in industry/commerce.

Please apply, in writing, with full career and salary history details, quoting reference W00552.84, to Louisa Chapman.

KPMG Peat Marwick McLintock

Executive Selection

Peat House, 45 Church Street, Birmingham B3 2DL.

Financial Controller

East Midlands

c.£20k package + car + benefits

Our client, a £13 million turnover company, is part of an international group of manufacturing and distribution companies. Due to continued expansion and future development plans, they wish to appoint an experienced and self-motivated accountant to fill a challenging role as head of the finance function.

Reporting to the Managing Director, the job holder will be responsible for providing a complete and efficient financial and management accounting service including liaison with the overseas parent.

Candidates should be qualified accountants whose career to date has provided

— Experience in an industrial environment.
— Management responsibility in an accounting department.
— Exposure to computer systems.

To match a high level of technical expertise, candidates should also be able to display

— A heightened sense of commercial awareness.
— The ability to organise and motivate staff.
— The personality to assist and advise line managers.

There are prospects of further advancement for the right individual and assistance with relocation expenses will be given where appropriate.

Applicants should write in confidence with full personal and career details to Paul Clisby, Spicer and Pegler Chartered Accountants, Clumber Avenue, Sherwood Rise, Nottingham, NG5 1AH.

Spicer and Pegler

Chartered Accountants

Finance director

Leeds, c£25,000 package + car

C&L

In a business infamous for short-term failures, this company can demonstrate nine years of sustained and profitable growth. Their prime activity is the development of computer software which, along with appropriate hardware, is mainly distributed to major clients in the financial services sector.

The company expects to double in size this year and your role in this new position will be to produce the controls to regulate growth of this magnitude. Emphasis will be on developing effective MIS, ensuring cash control and the firm management of the accounts function.

You must be a qualified accountant and almost certainly aged around 30. Your abilities in developing systems and managing a company's finances must be clearly proven. Though young in years, you will need considerable maturity and commercial acumen to allow you to fit into a small, cohesive team and make an immediate contribution to their financial and commercial development.

Résumés please, including a daytime telephone number, to David Owens, quoting ref. D250.

Coopers & Lybrand Executive Selection

Coopers & Lybrand Executive Selection Limited
Albion Court
5 Albion Place
Leeds LS1 6JP

YOUNG ACA FOR INVESTMENT BANKING

Could you monitor FX exposure in a complex trading environment?

c. £20k PLUS BONUS AND BANKING BENEFITS CITY

For a recently qualified ACA whose Foreign Exchange accounting experience has been gained either within practice or with a bank, this is an outstanding opportunity to further develop your skills in the emerging discipline of FX exposure, monitoring and control.

Our client is a leading US investment banking firm with a truly international presence and considerable influence in all sectors of the industry. Increased trading activity means they are now looking to strengthen the small City based 'business unit control' team that closely monitors a multi-billion dollar, multi-currency FX balance sheet.

It's a demanding environment, one that will not only involve you in management reporting and control, but also in a variety of other interesting work. Developing and implementing PC based reporting systems; close liaison with business units to grasp the implications of complex products; accounting for foreign exchange trading; the analysis of specific strategies together with other ad-hoc project and investigative work will all form part of a wide ranging and very visible role. A role that will give you a broad business overview and position you for a range of career development opportunities.

The attractive salary and bonus package is backed by a full range of banking benefits, and relocation expenses will be offered if appropriate.

Please send a cv, together with a covering letter detailing your relevant experience and the name of any organisation to which your application should not be forwarded.

Alun Spillman, Director (Ref 391), Associates in Advertising, Columbia House, 69 Aldwych, London, WC2B 4DX.

Associates IN ADVERTISING

Expanding City Insurance Broker

requires

FULL-TIME QUALIFIED ACCOUNTANT

with some Lloyd's experience, salary negotiable

Write with full cv to Box A0609

Financial Times, 10 Cannon Street, London EC4P 4BY

FINANCE DIRECTOR AGED 50+

Central London

Our client is a rapidly-growing mail order publisher planning flotation later this year. Highly-profitable turnover is £3M. The appointment of the company's first Finance Director is now appropriate. In addition to being responsible for financial control, he or she will be expected to play a major role in the company's strategic direction – including growth by acquisition.

This is an unusual appointment in that we seek an accountant aged 50+. It would suit someone who has taken early retirement but who retains an appetite for business, now seeking an invigorating second career and who has the presence and communications skills to help to develop a young team. Experience of growth by acquisition and familiarity with computers are essential.

The remuneration package will be designed to meet the successful candidate's circumstances. Stock options could lead to substantial capital. Part-time employment, after an initial period, is feasible.

For further details and an application form please telephone Pat Berry, Human Resources Secretary, on Windsor (0753) 857175 (24 hrs) quoting ref: DM/689.

3i Consultants Ltd

Human Resources Division

INVESTMENT COMMUNICATIONS

That vital link between us... and the market

Fidelity is one of the world's largest privately-owned investment Groups. Our status has been achieved by identifying an appropriate strategy for each of the investment markets in which we operate and adopting a universal approach to follow that strategy. Effective communication within our organisation is therefore critical and in response we are now looking for an investment professional to appoint as **Investment Communications Manager.**

The major responsibility of this role will be to ensure a thorough understanding of our investment thinking in various markets, including the strategy of our Unit Trusts and offshore funds, by providing a vital link between our Investment Fund Managers and our Sales/Marketing teams, on a global scale. This communication of Fidelity's investment strategy will extend to the promotion of our image as an Investment House to other institutions, to the press, and, naturally, to our client base.

It is an important liaison role which requires a number of qualities: sound analytical ability gained from an investment analysis background probably with an institutional broker, a thorough understanding of global stockmarkets, plus written and oral communication skills of the highest order, which include the capability to make presentations to a variety of audiences.

We expect the suitable candidate to be aged at least 27 and either a graduate or someone with a depth of market experience.

In return we will offer a salary in the region of £25K, depending on experience level, plus a generous package of benefits.

Please write to Sue Lingham, Fidelity International, 25 Lovat Lane, London EC3R 8LL.

Fidelity INTERNATIONAL

BERMUDA-BOSTON-HONG KONG-JERSEY-LONDON-NEW YORK-SAN FRANCISCO-SYDNEY-TAIPEI-TOKYO

Financial Director

Manufacturing West Midlands c £30,000, Car, Benefits

A superb opportunity for an ambitious, experienced professional to make a major contribution to the management and future development of this £40m turnover operation, part of a well known International Group. Our client has a base in supplying a leading range of quality products to the building/construction and engineering industries, but is rapidly diversifying into other market areas. Reporting to the Managing Director, responsibility will be for the complete financial, accounting and company secretarial functions. The successful candidate will play a leading role in ensuring the future growth of the business. Applicants, aged 35–45, qualified to ACA/ACMA, must demonstrate a proven track record to senior level gained within a manufacturing/engineering environment. Technical expertise, experience of large company operations, and practised communication skills are all necessary factors. Relocation as required.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *J.H. Wright,* **Hoggett Bowers plc,** *13 Frederick Road, Edgbaston,* **BIRMINGHAM,** *B15 1JD,* **021-455 7575.** *Quoting Ref: B13025/FT*

Hoggett Bowers
Executive Search and Selection Consultants
BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

GROUP PERSONAL TAX ADVISER GIBRALTAR

Outstanding opportunity to work in an exciting growth-orientated business environment—and live in the delightful countryside of Andalusia.

This British managed group provides a comprehensive range of financial services to companies and individuals with interests in the area. Due to significant growth over the last year the Company is responding to demands on its professional services of which personal tax advice is playing an increasingly important role.

The group wishes to recruit a senior, experienced Personal Tax Adviser who has had hands-on experience in a major financial institution, a public accountancy practice or a financial services organisation on the tax planning side. The Adviser will have a thorough understanding of the UK tax system, especially, the treatment of non-resident, but still UK domiciled individuals. This should cover both a knowledge of the law and practical aspects of dealing with the Revenue. Other key elements of the role will be to:

- liaise with the company's Spanish compliance offices
- develop a working knowledge of the Spanish tax system
- develop and maintain contact with associate tax advisers in other countries for specialist local advice to non-British expatriates
- advise the Board on the timing of establishment of local compliance offices in other European countries
- keep abreast of developments in personal tax systems throughout the world and alert the board team to all new tax-orientated marketing opportunities

The successful candidate will be qualified ACA or AT11, or possibly a Barrister from tax chambers, aged between 30 and 35. The remuneration package will be attractive and reflect the importance of the position. Some fluency, preferably in Spanish, or one other European language, would be an advantage.

Please send a detailed CV or telephone in confidence to:

Roger Meldrum
JSP SELECTION CONSULTANTS
10 Haymarket, London SW1Y 4BP
Telephone: 01-930 3901

Finance Director

Suffolk Circa £25,000 + Car

This is a new Board appointment with a £10m market leader, now committed to an accelerated programme of investment and growth. This highly profitable subsidiary of a medium sized plc manufactures and markets a specialist range of quality products for home and major overseas sectors.

Applicants must be qualified accountants in their mid 30's with the maturity and commercial awareness necessary to play a strategic role in the continued profitable growth of the business. Broad-based financial knowledge will ideally include experience in multi-product production operations. The ability to develop existing computerised systems is also important to meet the increasing management information needs of a fast expanding company.

The negotiable salary indicated will be supported by an attractive benefits package and full relocation expenses where applicable.

Interested applicants (male or female) should send a detailed CV or request an application form on 0625 533364 (24 hours) quoting reference 1232/FT.

Wickland Westcott & Partners
LONDON PARIS BRUSSELS DUBLIN
Executive Selection/Management Development
Springfield House, Water Lane, Wilmslow, Cheshire SK9 5QS.
Telephone: (0625) 532446.

STOREHOUSE PLC

Group Financial Accountant

c. £23,000 + Car

Storehouse is a major retail group with businesses in the UK, Continental Europe and the USA. These include such well known high street names as BhS, Habitat, Mothercare, Heals and Richards. Other activities include the Conran Design Group and an interest in SavaCentre. Group turnover is in excess of £1 billion.

An excellent career development opportunity exists within the Group Finance function based in Central London. Reporting to the Group Chief Accountant and managing six staff, your responsibilities will include the production of the Storehouse PLC Annual Report and Accounts. You will also be responsible for all aspects of financial control of the head office companies and be involved in reviewing both statutory and management accounts of the UK and overseas companies. This key position involves close co-operation with Group Treasury and Group Taxation.

Candidates, aged late 20's, should be Chartered Accountants with a minimum of two years post qualification experience, preferably within commerce/industry. The continuing development of the group will ensure that there is considerable scope for career progression.

Please apply directly to Jeff Grout at Robert Half, Freepost, Roman House, Wood Street, London, EC2B 2JQ. Telephone 01-638 5191, evenings 01-948 4712.

ROBERT HALF
FINANCIAL RECRUITMENT SPECIALISTS
LONDON · BIRMINGHAM · WINDSOR · MANCHESTER · NEW YORK & 85 OTHER CITIES WORLDWIDE

MANAGEMENT ACCOUNTANT

PEPE GROUP PLC., an international casual wear and jeans group, seeks a Qualified Accountant (A.C.M.A. or A.C.C.A.) for its U.K. subsidiary.

The successful applicant will report to the Financial Controller of the U.K. company, and will initially be involved in the development of the computerised management reporting system. Additional responsibilities will be in respect of:—

The timely preparation of management accounts for Pepe (U.K.) Ltd.,
Preparation of annual budgets and forecasts.
Ad Hoc investigations.

The ideal candidate will have at least 3 years experience in developing computerised systems.

SAL; Neg AGE; 30-35

Candidates who feel they can meet the challenge of an expanding company should send their C.V. in confidence to:
Pepe (U.K.) Ltd.,
449/451 High Road, London, NW10 2JJ
Atten; Miss A. Matthew

FINANCE DIRECTOR

Berkshire c£25,000 + Car

Our client is a medium-sized service company within a substantial and rapidly growing industrial conglomerate.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday July 9 1987

GE opens second quarter reporting with 16% rise in income

BY WILLIAM HALL IN NEW YORK

GENERAL ELECTRIC, the sixth biggest US corporation in terms of annual sales, yesterday signalled the start of the second quarter reporting season for Corporate America by posting a 16 per cent rise in net income to $720m.

Mr John F Welch, GE's chairman, said that the strong second quarter earnings were in line with the group's expectations for the entire year.

GE's earnings rose by 9 per cent in calendar 1986 and 16 per cent in the first quarter of 1987.

Mr Welch said the latest results "reinforce our confidence in strong GE earnings for the remainder of 1987."

GE benefited from strong revenue growth – particularly in financial service, aircraft engines, plastics and medical systems – and strong operating results in a number of businesses, reflecting steady progress to strengthen its competitiveness.

Second quarter sales rose 23 per cent to $9.56bn helped by a full three-months contribution from RCA Corporation, which GE acquired for $6.4bn in June 1986. Earnings per share, reflecting a two-for-one stock split in April, rose by 11 cents to 79 cents.

The group's financial services earnings were substantially ahead of a year ago with much higher earnings from GE Credit Corporation and Employers Reinsurance Corporation more than offsetting the effect of the special provisions at Kidder, Peabody, its New York investment banking subsidiary, which is paying $23.5m to settle insider trading charges made by the US Securities and Exchange Commission.

GE's materials businesses had "substantially higher operating profit on good revenue increases" and the group's main appliances had "much higher operating profit on very strong revenue increases in all of its core product lines."

James Buchan in New York examines the implications of the $2.6bn takeover of A.H. Robins

Rorer adopts the Dalkon Shield legacy

IT WAS on the eve of Independence Day that Mr Claiborne Robins, great-grandson of the founder of A.H. Robins, signed away his company's independence.

On July 3, Mr Robins, who has presided over soaring profits and a catastrophic bankruptcy at his family pharmaceuticals company, reluctantly announced an agreement to merge with Rorer, an aggressive maker of non-prescription drugs.

The $2.6bn merger, which could create the sixth-largest US over-the-counter drug company, with sales of $1.5bn, has the approval of Robins' shareholders, including the Robins family of Richmond, Virginia, which owns some 42 per cent of the company's stock.

But the key to the company's future does not lie with its shareholders. The real owners of A.H. Robins are lawyers representing 320,000 women who claim to have been injured by the Dalkon Shield intra-uterine contraceptive device, marketed by Robins in the US and overseas from 1971 to 1975.

These claimants, who forced Mr Robins to seek the protection of Chapter 11 of the US Bankruptcy Code in August 1985, could still reject the merger and cause the liquidation of Robins, which listed $275m in cash and gross assets of $880m in its last quarterly report.

Last Friday's agreement may be just one more skirmish in the decade-long battle over liability for the Dalkon Shield, which women say caused sterility, abortion, perforations and infection. As in previous proposals to lead Robins out of bankruptcy, Rorer wants to insulate the combined company from future liability by establishing trusts to the value of $1.75bn to settle claims from injured women.

But Mr Murray Drabkin, 67, the hard-bargaining lead counsel for the women, complains angrily that Rorer is also offering to pay trade and bank creditors in full and buy out shareholders with securities worth $30 a share or $725m. He notes that Robins was trading at under $8 a share at the close of last year. "The major problem is that it rewards the wrongdoers, that is the Robins family," he says.

But one way or the other, the agreement does mark the end of Robins family control of the 121-year-old company, which makes such well-known products as Robitussin cough syrup and Chap-Stick, the lip treatment.

The end has not come easily for Mr Robins. A neat, quiet Virginian,

Mr Robins' single-minded campaign to protect the company and its independence has infuriated lawyers, shareholders and even the presiding judge in the Bankruptcy Court ... but "he adopted the poorest strategy possible to turn a large problem into a spectacularly large problem."

Mr Robins, 43, who took over from his father as chief executive in 1978, has never publicly expressed regret for selling the Dalkon Shield or admitted there was anything wrong with it.

Regarded as an able manager of operations, who has more than doubled sales and earnings from the company's mature products to $790m and $82m respectively, he is widely seen to have been a disaster in Chapter 11. "He adopted the poorest strategy possible to turn a large problem into a spectacularly large problem," says Mr Chriss Street, an analyst of troubled and reorganised companies at Bateman Eichler in Los Angeles.

Mr Robins' single-minded campaign to protect the company and its independence has infuriated the women's lawyers, outside shareholders and even the presiding judge in the US Bankruptcy Court in Richmond. Judge Robert Merhige last year repeatedly accused Robins officials of "subterfuge" in making payments (to executives, among others) without court permission.

When Mr Robins' stalling in February helped cause American Home Products, the over-the-counter drug group, to drop an offer for the company that could have been worth over $2bn to shareholders, trade creditors and the women, Judge Merhige apparently lost patience.

He summoned the principals to his chambers in Richmond and announced that a court-appointed examiner would oversee future sale negotiations.

Although such carriage-trade companies as Merrell Dow and Pfizer also flirted with Robins' highly profitable over-the-counter franchise, they shied away from the odium associated with the Dalkon Shield, as well as a potential liability that even Robins – whose insurers paid out more than $500m in claims before Chapter 11 – estimates at $710m to $1bn. Only the little-known Rorer and its English-born chief executive, Mr Robert Cawthorn, have persevered.

Until Mr Cawthorn, 51, took over at the Fort Washington, Pennsylvania, company, Rorer was a lacklustre business lacking in research and dependent on a declining product, the antacid Maalox. Sales and profits in 1985, at $338m and $36m respectively, were lower than in 1982.

But in early 1986, Mr Cawthorn, a Cambridge graduate, doubled the size of the company with the audacious purchase of Revlon's drug business. "He introduced the concept of leverage to the industry," says Mr Robert Benezra, an analyst at Alex Brown in Boston.

Analysts point out that even after the trusts are funded, the deal makes sense for Rorer. With most US pharmaceuticals companies valued very highly by the stock market, "it's the only non-dilutive deal out there," says Mr Street. "This acquisition represents a further doubling of the size of our company," says Ms Susan Atkins, a vice-president of Rorer. "For us, it's worth the aggravation."

But when Mr Cawthorn approached Robins in late March, the company rushed out its own reorganisation plan. Robins would set aside the $300m in cash in its balance sheet, and raise a further $800m in junk bonds to back a $1.75bn letter of credit from Manufacturers Hanover and other banks, which would be drawn down over time to pay off the women's claims. But the family would retain control.

The plan was unenthusiastically received, and not only by the claimants' lawyers. Because of the American Home offer, professional investors and stock speculators (known as arbitrageurs) had piled into Robins stock, and they had no loyalty to the Robins family. Outside shareholders rebelled at the junk bonds to be issued to back the trusts, which would absorb much of the company's future earnings in debt service.

United Airlines boosts earnings at Allegis

BY ANATOLE KALETSKY IN NEW YORK

ALLEGIS, the Chicago-based travel conglomerate which has announced plans to sell off its non-airline subsidiaries, made net profits of $73.4m or $1.29 a share in the second quarter, almost four times the $18.5m or 41 cents it earned in the same period last year.

The higher profits were due entirely to a turnround in the United Airlines subsidiary, which was crippled by a costly strike last year. The company's hotel and car rental businesses, which are now up for sale, showed no improvement in their underlying performance.

For the first six months of 1987, Allegis earnings were running at $42.8m or 79 cents a share, less than the second quarter's figure because of a $30.5m loss in the first three months of the year. The company's revenues were $2.88bn in the second quarter and $5.25bn in the latest six months, up from $2.38bn and $4.32bn respectively.

The breakdown by business sector showed United Airlines making a net profit of $88.6m on revenues of $2.1bn in the last quarter, up from earnings of $10.3m on $1.8bn in revenues the year before.

Pulp and paperboard boost Mead in quarter

BY OUR FINANCIAL STAFF

MEAD, the US paper group has produced a rise of 41 per cent in net earnings to $51.9m, or 82 cents a share, from $36.9m or 59 cents a share for the second quarter to the end of June.

The increase in earnings stemmed largely from improvements in pulp, paperboard, school and office products and from Mead's electronic business.

Earnings for the six months were $86.1m, or $1.37 a share, compared with $57.2m, or 91 cents a share.

"We are operating well across most of our businesses and anticipate continuing strong demand from our products," Mr Burnell Roberts, chairman and chief executive officer, said. Second-quarter sales were $1.08bn ($768m), giving sales for the first six months of $2.04bn ($1.45bn).

World demand for pulp remains strong and Mead mills are sold out for the third quarter.

Dow Jones buys French stake

By Our Financial Staff

DOW JONES, the US business publishing group, which owns the Wall Street Journal, has taken a 14 per cent stake in Groupe Expansion, the French business publisher.

Mr Jean-Louis Servan-Schreiber, Expansion chairman, said yesterday that the French group, which owns several business publications in France, would develop a stock exchange information screen service, drawing on Dow's expertise.

Clore acts quickly over Kaiser

BY WILLIAM HALL IN NEW YORK

MR ALAN CLORE, the wealthy British investor who earlier this year won control of Kaiser Aluminum & Chemical Corporation, the world's fifth largest aluminium producer, is moving quickly to liquidate a substantial part of the financially troubled group.

Kaiser announced that it is seeking proposals for the sale of all or part of its industrial and specialty chemicals business and was exploring possible sales or joint ventures of various of its aluminium operations. It has retained Salomon Brothers and Citicorp Investment Bank to help it complete the task.

Mr James S. Pasman, a former vice chairman of Alcoa who was brought in by Mr Clore to be chairman and chief executive of Kaiser Aluminum, the main operating subsidiary, said that the group's chemicals business is "profitable and well positioned in a number of markets."

The Cleveland-based chemicals division, which has annual sales of over $500m, produces industrial and specialty chemicals and a wide variety of other products

Mr Pasman said that the group is in the process of examining "each and every facility and business unit" in the aluminium division. "The approach we are taking in aluminium is to determine whether there are potential buyers or joint-venture partners with resources greater than ours to develop pieces of the business to their fullest possible potential.

If, as a result of this process, we become convinced that interested and qualified buyers or partners exist and that the prices or joint-venture investments meet our expectations and needs, then we will recommend sales or joint-ventures to our boards of directors," said Mr Pasman.

INTL. COMPANIES and FINANCE

Kevin Done on the latest twist in the Swedish bio-group's fortunes

US buccaneer stalks Fermenta

Mesulam Riklis, left, whose Trans-Resources group is eyeing Fermenta, once run by Reefat El-Sayed.

HAVING ONLY recently been wrested from the clutches of Mr Refaat El-Sayed, Fermenta, the scandal-beset Swedish antibiotics and chemicals group, could be excused for thinking that it is on its way from the frying pan into the fire.

Trans-Resources, the privately-held US holding company, which announced this week that it is planning a SKr 1.38bn ($215m) bid for the embattled concern, has itself hardly had time to establish a track record—it was only incorporated in 1985 in Delaware under the name TPR Investment Associates—but its main shareholders, most notably Mr Meshulam Riklis, have a much longer history of causing ripples on the world financial scene.

Mr Riklis's limited partnership World Wide owns 34 per cent of the common stock of Trans-Resources.

As chairman and chief executive of the US conglomerate Rapid-American, Mr Riklis has a reputation for financial buccaneering. He has ridden a financial roller coaster since the 1960s, and controversy has seldom been far from his door. His name has resurfaced most recently in connection with the Guinness scandal to the UK. Mr Riklis participated in the share support operation mounted by Guinness during its bid for Distillers.

Mr Riklis spent an estimated £120m buying Guinness and Distillers shares during the takeover battle. Schenley, the drinks distribution subsidiary of Rapid-American, distributes whisky and gin in the US for Guinness.

A legal battle is being waged in the US over the circumstances in which the full legal titles to the Dewar's White Label whisky and Booth's Gin trademarks were transferred to Mr Riklis.

Mr Riklis, is also the owner of one of the leading Las Vegas hotel casinos, the Riviera, which he took through Chapter 11 proceedings of the US bankruptcy code in the early 1980s, and his march through the celebrity columns was hardly slowed by his much publicised marriage to the Hollywood actress and singer Pia Zadora.

Trans-Resources' main asset is its 96 per cent holding in Haifa Chemicals, the Israeli producer of speciality fertilisers and chemicals. According to a prospectus published in April, when Trans-Resources raised some $65m through a so-called junk bonds issue managed by Drexel Burnham Lambert, Haifa was established in the mid-1960s to convert potash from the Dead Sea and phosphate rock from the Negev Desert into high value products.

Trans-Resources had a turnover of $103.5m last year and a pre-tax profit of $24.5m according to the prospectus. That is a profit margin which certainly raises eyebrows in a fertiliser industry that has been living through harrowing times and squeezed earnings in the last couple of years.

The Trans-Resources board includes Mr Richard Grassgreen and Mr Perry Mendel, respectively president and chairman of Kinder-Care, a US operator of child day care centres, but the director who has been leading the negotiations for a takeover of Fermenta is Mr Arie Genger, Trans-Resources chairman and president who owns 20 per cent of the common stock and is also chairman of Haifa Chemicals.

Mr Genger served "in a senior position in the government of Israel" in 1982-83, and has been a close acquaintance of Mr Ariel Sharon, the former Israeli Defence Minister.

Whether Trans-Resources will succeed in its planned bid to take over Fermenta, is still an open question, but there can be no doubting the serious intent of Industrivärden, the Swedish investment company that is Fermenta's main shareholder, to get rid of its embarrassing engagement in the group as quickly as possible.

It is Industrivärden that negotiated the agreement in principle announced this week to transfer all its holding to Trans-Resources, and the first that some Fermenta board members heard of the plan was a telephone call from the investment company on Monday.

"I have a feeling with Industrivärden that it is a question of the faster the better," said one Fermenda board member yesterday. "The main shareholders would like to get out, and for Industrivärden, it is almost at any price."

Whether Industrivärden has finally found a deal that will hold water after several months of frantic searching remains to be seen.

The planned bid from Trans-Resources—an actual bid is still to materialise—is conditional on three points. An offer must attract at least 90 per cent of the shares, it must be approved by the Swedish Government and most importantly it must be improved by Fermenta's [illegible] banks, which helped save the group from the brink of financial collapse earlier this year.

Equally important, though not stated in the communique from Industrivärden on Tuesday, is the condition that has repeatedly been laid down by Mr Bert Sjölin, Fermenta chairman and Mr Bertil Holmberg, Fermenta chief executive, that any deal for the sale of the company cannot include Mr Refaat El-Sayed, the ousted former majority shareholder and chief executive of Fermenta, who is now under criminal investigation in Sweden.

Mr El-Sayed, though discredited at home, has made no secret of the fact that he is still seeking to make a comeback at Fermenta in some shape or form, regardless that he still faces bankruptcy with personal debts of around SKr 1bn.

Both Industrivärden and Fermenta have denied this week that he has any role in the proposed Trans-Resources deal, but it is known that Mr El-Sayed has a different understanding of his future role.

Cologne Re expects improved earnings

BY HAIG SIMONIAN IN FRANKFURT

West Germany's second largest reinsurance group, expects gross premium income in 1986 to remain little changed on the previous year.

Nevertheless, preliminary estimates suggest that net profits for 1986 will be about DM 2m-DM 3m higher than the DM 11.5m ($6.25m) achieved for 1985.

The forecasts are based on receipts of 70 per cent-80 per cent of premium income for the 1986 business year so far. Cologne Re's final results will not be ready until September.

Gross premium income was likely to be less than 1 per cent up on 1985, said Mr Jurgen Zech, chief executive. While gross income in Germany had risen by about 4 per cent-5 per cent, based on the preliminary figures, foreign premium earnings had shrunk because of the strength of the D-Mark.

However, income abroad had gone up in double digits "in virtually every country" when expressed in local currency terms, Mr Zech added.

Foreign business was likely to rise to almost half of group income in 1987, based on present exchange rates, and should increase considerably in future, said Mr Zech.

Net premium income at Cologne Re was likely to go up by about 3-4 per cent overall in 1986, with another increase in Germany.

Last year saw an improvement on the claims front over 1985, according to Mr Zech, leaving room for a further strengthening of underwriting reserves. There had been few big international disasters, but domestic claims were still running high.

Developing a "more international face" was now one of the group's priorities as foreign markets were likely to grow faster than Cologne Re's home base. Accordingly, the company was investing heavily in both fixed assets and personnel to expand its international coverage.

Dutch copier group checked by weak dollar

BY JANE RIPPETEAU

OCE-VAN DER GRINTEN, the Dutch copier company, has reported lacklustre sales and profits for the six months to May. Turnover fell 7 per cent to Fl 888.8m ($429m) and net profits improved 3 per cent to Fl 39.5m ($19m).

However, the company said its sales would have shown a 9 per cent rise but for the disposal of a subsidiary and adverse currency rates. About 88 per cent of Oce's sales are outside the Netherlands where most of its manufacturing takes place.

In April Oce sold its troubled Oce-Andeno chemicals subsidiary — its results are not included in the half-year report.

Oce said it was trading comfortably in the US where it has made substantial progress in building up a share—still modest—of the office copier market. Copier sales account for more than half Oce's total group business.

Oce said US expansion is continuing. For the last three years, sales in North and South America have hovered between 14 per cent and 16 per cent of total group turnover.

Oce copiers compete at the upper end of the market mainly against Xerox, Kodak and Canon, rather than in the faster-growth low end dominated by Canon and other Japanese suppliers.

With increased orders for its mid-to-high volume machines, Oce believes it is now growing at up to 10 per cent annually, or twice as fast as the industry average.

Oce said sales in its other big line, large diazo and plain paper copiers for the architectural and design engineering market, were off slightly for the six months at Fl 338m, but were 6 per cent higher excluding adverse currency factors. Oce has about 20 per cent of world business in this market.

Oce refused to make sales or earnings projections for the current year because of the uncertainty of exchange rate fluctuations.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JULY 3, 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.382	0.633	9.702	8.440
Australian Dollar	13.874	−0.588	14.735	13.206
Canadian Dollar	10.231	−0.107	10.776	9.372
Euroguilder	6.160	1.183	6.250	5.804
Euro Currency Unic	8.608	−0.532	8.882	8.219
Yen	5.848	−0.171	6.450	5.218
Stirling	9.953	0.535	11.609	9.443
Deutschemark	5.979	0.134	6.556	5.890

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French banks warned on earnings

BY GEORGE GRAHAM IN PARIS

FRANCE'S BANKING supervisors have issued a warning to the banks under their control that they face much stronger pressure on their profits in future and may even face a decline in earnings after last year's strong results.

The banking commission, in its annual report published yesterday, said banks' profits had benefited last year from the external factor of favourable movements in the financial markets, which might not be repeated.

French banks had not mannaged to control the growth of their costs, however, which was indispensable in a period of low inflation.

Although French banks have made heavy provisions against possible bad debts, the commission warned that their position in relation to overseas banks looked much less strong when capital as well as provisions were taken into account.

Mr Philippe Lafayette, deputy governor of the Bank of France, said some banks had excessively emphasised the growth of their profits in 1986, and warned that these results might not be repeated.

By the end of 1986, over 30 per cent of the total exposure of the French banks to bad sovereign debt was covered by provisions, the commission estimated—thanks in part to the continued rise of the French franc, in which most of the provisions are made, against the dollar, in which the debts are denominated.

More precise figures dating from the end of the previous year showed a total of FFr 265bn ($43.15) of debts were at risk in the portfolios of the big French banks. Around 60 per cent of this total was represented by overseas lending.

These risks were 34 per cent covered in provisions, with specific client risks 53 per cent covered and country risks 23 per cent covered — a significant increase from the rate of 16 per cent a year earlier.

The French banks as a whole set aside FFr 9bn of provisions for country risk in 1984 and FFr 10bn in 1985, the commission noted, with a further significant increase in provisions in 1986.

Despite significant improvements over the past few years, France's banks have still not managed to bring their operating costs down below the level of inflation, the commission said.

Operating costs rose by 5.5 per cent in 1986, compared to an inflation rate of 2.1 per cent by the end of 1986. Over the last four years, the commission said, bank operating costs had risen by 42 per cent while the consumer price index had climbed by *only* 24.7 per cent.

Banks greatly increased their earnings from fees and commissions as opposed to lending margins in 1986, deriving 40.5 per cent of their net banking earnings from this source compared with 33.9 per cent the previous year.

This was largely explained by factors outside the control of the banking system, the commission warned, including the development of the financial markets and the fall in interest rates.

France's banks are still in a strong financial position, however, with total capital resources — including equity, tax-paid provisions and reserves—of FFr 120bn, up 30 per cent from the previous year and 93 per cent since the end of 1983.

The commission is still reinforcing its efforts to improve the security of the French banking system and has issued papers on structures of interest and exchange rate risk management as well as on the strengthening of the control exercised by the banks' shareholders and non-executive directors.

Tighter restrictions have also been proposed on the concentration of a bank's loan book. Loans to a single customer will in future be limited to 40 per cent of the bank's total capital resources, bringing French regulations into line with the European Community norm from the current level of 50 per cent.

● Closer Co-ordination between regulatory authorities will be essential if the global market is to be adequately supervised and at the same time allowed to grow and develop, according to Mr Peter Cooke, associate director of the Bank of England, AP-DJ reports from Interlaken.

Mr Cooke told an international bankers' seminar that "supervision will become increasingly difficult but even more important." He noted that the securities regulators "are just beginning to talk about work on a co-ordinated response to the internationalisation of securities markets.

"*This co-ordination is, in my* view, overdue . . . the securities markets, like the banking markets in the 1960s, are becoming rapidly and comprehensively internationalised."

However, he said the financial world was not ready for a "multinational regulatory financial agency with real teeth. Co-ordination and co-operation must be the route, slow and tortuous though it is."

Venezuela returns to capital markets

By Our Paris Staff

Venezuela is returning to the international capital markets for the first time in several years, in a rare move by a heavily indebted Latin American nation.

Aluminio de Caroni (Alcasa), the state-owned aluminium producer, is launching a $160m operation including a $30m Eurocredit guaranteed by the Venezuelan state.

The eight-year Eurocredit carries an interest rate of ⅞ per cent above Libor.

The package, signed in Paris on Tuesday, also includes French and Spanish buyer credits of eight and a half years, which have been successfully syndicated by Banque Indosuez and Banco Consolidado.

Alcasa began its refinacing programme last year with local borrowings and a capital increase aimed at funding new investment

Eurolira bond with warrants for ENI

By Alan Friedman in Milan

THE FIRST Eurolira bond issue carrying warrants to buy shares will be launched in the next 10 days for ENI, the Italian state energy group. The fixed interest L50bn ($37.5m) lira-denominated Eurobond will have a maturity of five years.

Terms have not yet been finalised, but analysts expect the coupon is to be set between 6½ and 7½ per cent.

The ENI bond, which comes in the wake of recent Italian government moves to liberalise rules on investment abroad, will be open to Italian as well as non-resident investors. The issue will be co-lead managed by Swiss Bank Corporation and Euromobiliare, the Milan-based investment bank. This will make the deal the first to have a non-Italian bank as a co-lead manager.

The ENI bonds, to be issued in the name of the Bahamas-based ENI International Bank, will carry warrants enabling holders to buy shares in Italgas, the state group's gas utility subsidiary which is quoted on the Milan bourse.

Three Antipodean deals in otherwise quiet sector

BY CLARE PEARSON

THREE NEW issues denominated in Antipodean currencies emerged in the Eurobond market yesterday, while Eurobond turnover elsewhere was subdued. Dealers pointed to the beginning of the holiday season, and continued uncertainty over the direction of the dollar, as reasons for the lacklustre mood.

Two issues in New Zealand dollars — the first for some weeks—emerged, spurred on by a recent rally in New Zealand domestic bonds which has also pushed up prices of Euro-New Zealand dollar bonds. Both issues were led by Hambros Bank.

British Petroleum issued a NZ$75m 17¾ per cent two-year bond, launched through BP Capital and priced at 101¾. It met strong demand and traded at less 1 bid, comfortably within 1¾ per cent fees.

Swedish Export Credit meanwhile issued an NZ$50m 17¼ per cent three-year bond which traded at the level of its total fees, 1½ points below its 101⅞ issue price.

Toronto Dominion Australia, with the guarantee of the Triple A rated parent bank, tapped the Australian dollar sector with an A$50m two-year issue led by ANZ Merchant Bank. Dealers said the choice of lead manager was striking since Hambros Bank had led the issuer's other recent bonds in the currency.

The 14½ per cent bond, priced at 101⅜, traded at around its total fees, but dealers said its relatively high coupon and short maturity should ensure placement.

However, they do not expect the market to be able to sustain many more deals ahead of the Australian general election at the end of the week.

The Australian dollar primary Eurobond market was

INTERNATIONAL BONDS

stable yesterday, but had been unnerved earlier in the week by a fall in the currency.

The only other new Eurobond issue of the day was a C$60m three-year 9¼ per cent deal for Akzo, the Dutch chemicals and pharmaceuticals company. The deal, which was priced at 101¼ and led by Orion Royal Bank, was quoted at a bid price slightly outside the level of its total fees.

Prices in the secondary Eurodollar bond market were nearly motionless as the US Treasury market failed to provide direction.

Turnover was low in the D-Mark although prices closed higher in response to the slight easing in the dollar. A recent 6¼ per cent issue for Canon Europa closed at 99.80 bid, compared with 99.2 on Tuesday.

In Switzerland, price changes were narrowly mixed in marginally higher volume.

Credit Suisse announced a four-year issue for the European Investment Bank, and a five-year deal for BFCE on what dealers saw as tight terms. But they added that investors were favouring shorter-dated bonds at the moment. For instance, a 4¾ per cent five-year issue for Norges Kommunalbank, which had been viewed as aggressively priced when it was launched last week, was in strong demand.

The EIB's SFr 160m bond carries a 4 per cent coupon—the lowest since May—and is priced at 99¾. The 4¼ per cent bond for BFCE was priced at 100⅛.

Today, Credit Suisse is expected to announce a SFr 250m 15-year equity linked issue for Bayer, the West German chemicals company.

● General Motors Acceptance Corporation, the financing arm of General Motors, said yesterday it had no intention for the present of calling the Eurobonds issued through its Netherlands Antilles subsidiary.

It said the decision, which affects more than $1.5bn of debt of which some $800m face amount is in the form of zero-coupon bonds, was made principally because the US Treasury had announced its intention to seek legislation to preserve the existing tax position on Eurobonds affected by the termination announced last week of the US-Netherlands Antilles tax treaty.

US bank regulators relax capital adequacy rules

BY WILLIAM HALL IN NEW YORK

US BANK regulators have substantially relaxed their rules on capital adequacy in a bid to deal with the record number of bank failures and troubled banks in a US financial system which continues to be hit by a patchy economic recovery.

The Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC) have amended their "capital forbearance" guidelines. This will enable a much wider range of banks to take advantage of the more flexible rules on capital adequacy which were instituted early last year

The more flexible rules, which were subsequently extended to include banks serving the troubled oil and gas industry, are intended to provide temporary relief *from normal* capital requirements for banks whose capital levels have been depleted largely as a result of loan losses attributable to economic conditions in the markets served by the same banks.

The major changes are as follows:

● The deadline for applying for capital forbearance, which was to have expired at the end of 1987, has been extended to end 1989, and the period during which capital must be restored to normal levels has been extended by two years to January 1, 1995.

● The capital forbearance guidelines are no longer limited to farm and energy banks and are now applicable to any bank that can "demonstarte that their difficulties are primarily the result of economic problems beyond management's control."

● A bank will no longer have to have a minimum primary capital ratio of 4 per cent to qualify for capital forbearance.

Cominco raises C$54m in novel securities issue

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

COMINCO, the Vancouver-based metals mining group, is raising C$54m through an unusual issue of securities, which combine a kind of preferred share issue and warrants indexed to the market performance of zinc or copper.

The producer, which was taken over last year by a consortium of Canadian, West German and Australian metals groups, is selling 3m of the units at C$18 each through Nesbitt Thomson Deacon.

The offering allows the company to raise funds with neither the need to make interest payments in the near-term nor immediate dilution of shareholders' equity.

Each unit includes one deferred preferred share, which pays no annual interest, but will be redemmed at C$18 after five years. This will occur at the company's option either in cash or in Cominco common stock.

The warrants, valid for five years, are convertible into Cominco common once they become separable from the preferred shares, expected some time later this year. Their minimum conversion value is C$3, but this increases in line with the price of the zinc and copper, based on the monthly average price on the London Metal Exchange.

For example, if the current monthly average for the zinc price of US$0.39 to $0.40 per pound were to apply for the offering, the warrants would be worth C$7 at a zinc price of US$0.50 and $16.14 at a price of US$0.60.

The cap on the value of the warrants is $27.20 which would be reached if the metal rose to US$0.74. The investor can choose the better performer of either zinc or copper when he makes his conversion.

Japanese cautious on BankAmerica

BY YOKO SHIBATA IN TOKYO

THE NINE Japanese banks which have been considering BankAmerica's request for $350m worth of capital to help it restructure, declined to make any firm commitment after their latest meeting yesterday.

The banks remain cautious about BankAmerica's proposals, and say the information they have received about the rehabilitation programme and projected business performance is insufficient. The nine banks are, Mitsui Bank, Industrial Bank of Japan, Yasuda Trust and Banking, Dai-Ichi Kangyo Bank, Fuji Bank, Sumitomo Bank, Mitsubishi Bank, Sanwa Bank, and Bank of Tokyo.

Sanwa, based in Osaka, showed immediate readiness to co-operate when Mr A. W. Clausen, BankAmerica's chairman, visited Japan in early June to ask Japanese banks for their help. Mr Kenji Kawakatsu, Sanwa's president, recalled that the bank was indebted to BankAmerica for much of its know-how on retail banking. The indications are that efforts will be made to pull the Japanese banks together under the leadership of Sanwa.

Mr Clausen's approach was followed by a visit to Tokyo by Mr Frank Newman, BankAmerica's vice chairman, who made a specific proposal for the raising of $350m in Japan, to be used as part of the funds required to get the company back onto its feet.

Sterling paper for three UK companies

By Alexander Nicoll, Euromarkets Editor

THREE BRITISH companies have added their names to the rapidly growing list of borrowers to establish sterling commercial paper programmes.

The three are Racal Electronics, which will have a £100m programme as part of a larger financing package, Greenall Whitley, the brewing group, and Reuters, the information concern, each with £100m programmes.

The addition of three well-known names will be a fillip to the market, which topped £1bn of outstandings in April after one year in existence.

Racal has mandated Barclays de Zoete Wedd to arrange a £150m uncommitted multi-option facility enabling it to raise funds through sterling acceptances, multi-currency advances and dollar Euronotes, using the tender panel mechanism.

BZW will also be arranger and dealer for Racal's sterling commercial paper and for a $100m Eurocommercial paper programme. Union Bank of Switzerland (Securities) is to be a dealer for the latter paper.

Greenall Whitley's programme, which includes an option to issue dollar-denominated paper, was arranged by S. G. Warburg with BZW and County NatWest as additional dealers. It expects to begin issuing late this month.

Warburg is also arranging the programme for Reuters, with an additional dealer due to be appointed. The company has no immediate plans to issue dollar-denominated paper because its assets are sterling-denominated and it does not wish to incur currency exposure.

● Credito Italiano has appointed Merrill Lynch International as sole dealer for a Euro-certificate of deposit programme of unspecified size.

S&P reaffirms Midland ratings

By Our Euromarkets Staff

STANDARD & POOR'S, the US credit assessment agency, has reaffirmed the ratings of Midland Bank's debt following the UK clearing bank's decision to increase its loan loss provisions for Third World debt by £916m, sell three subsidiaries, and mount a rights issue.

Midland's senior debt is rated Single A, its junior subordinated perpetual Triple B plus, and its commercial paper A-1.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Nippon Oil Co. 3 00	3/85	923	1259	260	−6	−4.92
OKI Elec. Ind. 3½ 99	10/84	865	138¼	140¼	−7⅛	−5.26
Omron Tateisi 2¾ 02	4/87	1350	106½	107½	−6⅛	−6.44
Sumitomo Bank 2¾ 00	8/85	2142	1267	268	−7	−3.15
Toshiba Ceramics 3 00	4/85	1734	126¼	127¼	−6½	3.52
Nippon Oil Co. 2⅝ 92 SFr	3/84	1081	†168	169	+6	2.32
Yokohama Bank of 2⅝ 01	10/86	1045	157	158¼	−6¼	−4.67

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

First leveraged buyout in Japan

BY YOKO SHIBATA IN TOKYO

INDUSTRIAL BANK of Japan (IBJ) has arranged a leveraged buyout of a US-affiliated bed manufacturer by Prudential Asia Investment of Hong Kong, in what is believed to be the first deal of its kind in Japan.

IBJ officials said Prudential Asia, a subsidiary of Prudential Insurance of America, has bought full equity control of Simmons Japan and rights to trademarks, patents and technology from Simmons USA for about Y4bn ($26.7m) with financing from IBJ. In the agreed deal, Simmons Japan is authorised to continue to use the trademarks of Simmons.

Simmons Japan, with a nominal issued capital of Y250m, had previously been wholly owned by a US limited partnership of Simmons USA and Wesray Capital Corporation, an investment vehicle headed by Mr William Simon, a former US Treasury Secretary.

Simmons Japan manufactures and distributes a range of mattresses, box springs and bedding accessories, and has about 70 per cent of the high-quality Western bedding market in Japan. The company also exports to Hong Kong and Singapore.

The financing was made through a combination of equity, subordinated debts and a long-term loan. According to Mr William Flanz, managing director of Prudential Asia, it now has in place a long-term loan and a short-term working capital facility with IBJ. Prudential Asia placed additional subordinated debt financing with the seller. Among other equity investors are several key managers and directors of Simmons Japan, including Mr Tormod Isetop, who will remain president.

"This leveraged buyout brings together the commitment of the owner-manager team, the banking capabilities of IBJ and the financial expertise and long-term capital resources of Prudential Asia," said Mr Flanz.

"Through this buyout, Simmons Japan, incorporated in 1964, has become a substantial and independent Japanese company with ownership in the hands of management and long-term equity investors."

Fletcher buys 12% stake in forestry rival

By Our Wellington Correspondendent

FLETCHER CHALLENGE, the New Zealand group which has extensive international timber interests, has agreed to buy the 12 per cent stake in New Zealand Forest Products, its domestic forestry rival, previously owned by the AMP Society, Australia's largest institutional investor.

Fletcher says it intends to reinstate its application to the New Zealand Commerce Commission to acquire full control of NZFP. It made its first takeover bid for the company last November, but after several weeks of sometimes heated confrontation this was withdrawn. Fletcher's intentions had effectively been blocked when Rada Corporation, a local investment company, bought 24.9 per cent of NZFP.

Rada later sold its stake, for which it paid NZ$500m (US$297.8m), to Amcor of Australia. Amcor has announced it wants to own 50 per cent of NZFP, while NZFP holds 20 per cent of Amcor. The two companies said in April they would merge their pulp and paper operations and hold these jointly.

In April the Commerce Commission turned down Fletcher Challenge's NZ$1.5bn (US$89m) effort to take over NZFP. It said this would reduce competition

European demand for Petrocorp

BY DAI HAYWARD IN WELLINGTON

SUBSTANTIAL European interest has emerged in a share issue by the New Zealand state-owned Petrocorp, the country's leading oil and gas producer. The prospectus released yesterday for the 100m share offering, priced at NZ$1.25 each, revealed that 25m shares would be placed through Swiss Bank Corporation International.

Mr John Anderson, chairman of Petrocorp, said European stockbrokers had contacted the company saying it could place the entire 100m shares in Europe if it wished.

"We have been surprised at the tremendous interest there," said Mr Anderson. Another 100m shares have already been taken up by Brierley Investments (BIL), Mr Ron Brierley's New Zealand master company, in a private deal at what has now been shown to be a premium price of NZ$1.40 a share.

Petrocorp has extensive interests in oil exploration and production and natural gas production and distribution in New Zealand. It is also now ranked sixth in Australia in terms of the acreage in which it has an exploration interest.

Net profits for the year to March were NZ$87.6m (US$52.2m). Directors predict an increase to NZ$101m for the current year and NZ$151m for 1988-89. It is poised to take advantage of any lift in oil or natural gas prices because the prediction has been based on conservative estimates.

The company's profit this year and in future years has been boosted by a NZ$800m capital restructure last year. This substantially reduced its debt commitments giving it a much stronger financial base.

Blow to CSR bid for Monier

BY CHRIS SHERWELL IN SYDNEY

CSR, the Australian sugar, building materials and resources group, saw its A$547m (US$ 385.3m) bid for Monier, another large construction sector supplier, run into the sand yesterday when Monier shareholders voted against an options agreement recommended by their directors.

The obstacle evidently came from Equiticorp Tasman, which is controlled by Mr Allan Hawkins, the New Zealand entrepreneur. It now has a 19.4 per cent stake in Monier and is making a higher counter-bid.

The options agreement is between CSR and Redland of the UK, which owns 49.9 per cent of Monier.

Redland is supporting CSR's bid and did not vote yesterday. The options agreement allows Redland to sell out entirely to CSR or to raise its stake to 50.1 per cent.

The shareholders' decision is a blow for CSR, and comes just two days after the group successfully gained control of Pioneer Sugar Mills, another takeover target.

Together the two takeovers were seen as part of a wider strategy to enhance CSR's sugar and building materials activities and reduce its dependence on resources.

The Monier decision leaves it with the choice of withdrawing its bid altogether or making it unconditional—a move which directors do not expect would attract many acceptances.

CSR is still of the view that it will not raise its existing offer of A$3.30 cash or four CSR shares plus A$2.75 for every five Monier shares. Equiticorp Tasman has offered A$4.15 cash.

Mr Hawkins's strategy meanwhile remains unclear. He has stated Equiticorp is a long-term investor in Monier because it fits well with Equiticorp's philosophy of taking minority positions.

Sanyo Electric first-half pre-tax profits down 48%

BY OUR TOKYO STAFF

SANYO ELECTRIC, the Japanese consumer electronics maker which last December absorbed its Tokyo Sanyo Electric offshoot, incurred an operating loss of Y4.82bn ($32.2m) in the half year to May.

It blamed a poor business climate caused by the strong yen, which nullified expected effects from the merger with its affiliate.

Sanyo's Electric's interim sales came out at Y434.59bn, up 1.2 per cent. Part of the company's operating loss was covered by Y23.7bn worth of non-operating profits stemming chiefly from securities sales. As a result, it reported pre-tax profits of Y5.8bn, down 48 per cent from the previous year. Net profits were 12 per cent lower at Y6.62bn.

For the full year to November, sales are expected to reach Y900bn, thanks to a recovery in domestic demand. Pre-tax profits are projected at Y15bn, down by 1 per cent

Amatil earnings up by 11%

BY OUR FINANCIAL STAFF

AMATIL, the Australian cigarette and beverage producer owned 41.2 per cent by BAT Industries of the UK, boosted net earnings by 11 per cent in the half year to April to A$37.77m (US$26.6m).

It is paying a fully franked interim dividend of 16 cents a share, compared with 14 cents, from earnings per share of 39.9 cents against 36 cents.

An equity accounted contribution from associates added a further A$1.57m, while extraordinary credits reached A$5.96m, stemming mainly from the disposal of its interest in General Foods Poultry (New Zealand). The bottom-line profit of A$45.3m compares with A$41.83m a year earlier.

The company expects a full-year result above the A$75.38m for 1985-86.

UK COMPANY NEWS

Banco de Bilbao has 5% of Hambros

BY DAVID LASCELLES, BANKING CORRESPONDENT

Banco de Bilbao, one of Spain's largest banks, has acquired a 5 per cent stake in Hambros to provide the basis for a co-operation agreement between the two financial institutions. Banco de Bilbao, which bought the shares in the open market in recent weeks, will also be making a 15-year £25m loan to Hambros.

This is the second such agreement which Hambros has made with a continental bank in recent months. Last October, Istituto Bancario San Paolo di Torino, the Italian bank, bought a 6.5 per cent stake and made a £50m loan to Hambros.

Hambros expects to build up further links with banks in most Continental countries, though they may not involve acquisitions of strategic stakes by the partners.

Sir Michael Butler, the head of the bank's new European division, said yesterday that Hambros wanted to develop its cross-frontier mergers and acquisitions business, believing that as the European market became more integrated, those banks with links to other countries would benefit most.

The deal with Bilbao is expected to result in a two-way flow of banking and corporate finance business. The two banks will also establish a fund management operation in Guernsey to sell investment products to Spanish investors with the lifting of Spanish foreign exchange controls.

Banco de Bilbao, which will nominate a representative to Hambros board, said the deal was part of its plan to expand international operations and move closer to the London market.

See Lex

Second half acceleration lifts Asprey by 23%

Asprey, the goldsmith, jeweller and antique dealer, accelerated its growth in the second half of 1986-87 and pre-tax profits emerged 23 per cent up from £10.92m to £13.47m for the year to March 31 last against the 13 per cent improvement shown at the interim stage.

Turnover last year was up from £51.83m to £53.91m but there was a sharp reduction in the increase of finished goods and work in progress, down from £6.54m to £978,000, and in finished goods for resale, down £9.06m to £27.64m.

Other external charges were higher at £3.7m (£3.06m), staff costs rose from £3.92m to £4.15m but depreciation was down from £518,000 to £426,000. Other operating charges increased sharply, up from £4.81m to £6.78m and other income was down £289,000 to £1.29m. Interest payable amounted to £13,000 (£5,000).

A reduction of nearly £1m in the tax charge to £3.74m left earnings per share over 20p higher at 53.79p (33.07p) and there is a two-for-one scrip issue proposed.

The dividend goes up from 10p to 12p with a recommended final payment of 8.5p (6.5p) per 25p share. The company is quoted on the USM.

● comment

Asprey outperformed expectations after a much better second half, and delighted the market, which pushed the shares up 125p to close at 960p. It has managed to reduce substantially the loss from its store on New York's Fifth Avenue, and prospects for the better location look good. The company's cash balances are slightly lower after the £4¾m West End property purchase but should end the current financial year in a healthier state. Its performance is always subject to a certain extent to the whims of the mega rich: a single item may be worth more than £½m. The outlook for the top end of the UK and tourist markets is encouraging, with the oil price keeping Middle Eastern customers flowing in. The tax charge is set to rise, probably to around 32 per cent, and on a profits forecast of £15m and a prospective p/e of just below 17, the shares do not look an unreasonable medium term prospect considering that it has turned in a better performance over the past three years than most other stores.

KIO raises £87m via further share sales

By David Waller

THE Kuwait Investment Office yesterday raised over £87m from the sale of its holdings in Trafalgar House and Norfolk Capital, only a fortnight after selling its 2 per cent stake in Hanson Trust for £75m.

Hoare Govett, the stockbrokers which handled the placing of the Hanson Trust shares, placed 17.65m shares in Trafalgar House with some 50 institutions at 396p, a 5p discount to the opening price of 401p. The shares rose 6p to close at 407p.

The Kuwaitis are believed to have made a profit of about £25m on the sale. The stake, representing under 5 per cent of Trafalgar's equity capital, had been built up over the last decade.

The KIO retained James Capel to place its 14 per cent stake in Norfolk Capital, the hotel group. Some 43.5m shares were placed with institutional investors at 39½p per share, a 4½p discount to the opening price. The shares closed down 2p at 42p.

In a separate transaction, the Kuwaitis increased their stake in Wigfalls, the electrical retail and rental group, by 197,000 shares, giving them a total of 1.37m shares, or 27 per cent of the company's equity.

Scholes says hold on Delta bid

George H. Scholes, the electrical group, yesterday advised shareholders to take no action with regard to the Delta Group's £71m offer. Directors of Scholes were understood to be meeting last night to discuss the bid and to be talking with advisers today.

Delta announced its bid late on Tuesday night after the Takeover Panel had noted a sudden rise in the Scholes share price.

The two companies have similar interests in the electrical safety market. Delta supplies industrial and commercial companies via its MEM and Bill Switchgear ranges and Scholes supplies the domestic market via its Wylex range.

Last night, Scholes' share price closed at £6.30, up 160p,

David Lascelles ponders a renewed attack on Standard Chartered

Lloyds keeps its options open

WHEN Lloyds Bank failed in its £1.3bn takeover bid for Standard Chartered last year, the City's takeover rules barred it from trying again for 12 months. The ceasefire ends this Sunday, stirring speculation that Lloyds may come back for another go.

Unfortunately for analysts trying to read Lloyds' intentions, and for Standard Chartered as it awaits developments, and even for Lloyds itself as it weighs its options, the situation has become extremely complex. The only thing of which the market seems reasonably certain is that Lloyds will not present a new offer at the crack of dawn on Monday. But it may return later.

Mr Brian Pitman, Lloyds' chief executive, declines to comment on his plans, and Standard Chartered is putting on a brave face. Sir Peter Graham, the chairman, says he expects Standard Chartered will still be an independent bank another 12 months from now. "I hope they do not come back," he commented.

Many questions weigh in the balance of a new bid. Chief among them is whether Lloyds is still interested in making what would be the world's largest bank takeover, and whether it could still afford it in the light of other developments, notably the large provisions for Third World debt which both banks will have to make in the coming weeks.

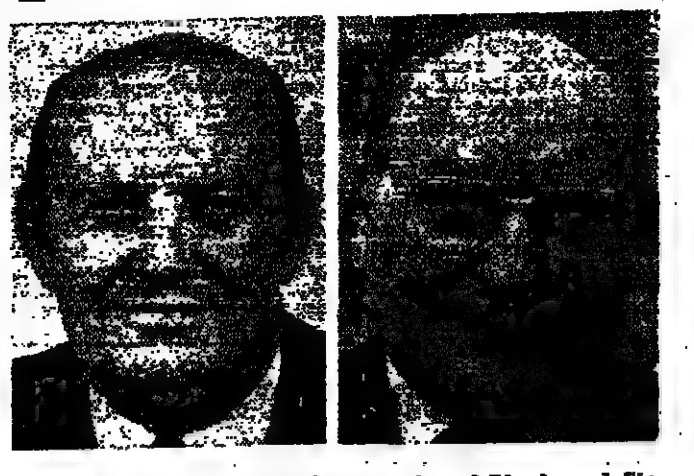
Lloyd's official position is that it is keeping its options open. Fundamentally, the bank still seems to be interested in acquiring Standard Chartered because the reasons it put forward last year remain valid: it wants to extend its banking reach into markets where Standard is strong, notably the Pacific and the Far East, and build a strong global institution with the emphasis on conventional banking services.

This case has, if anything, been strengthened by Lloyd's decision last month to withdraw from the UK gilt-edged market and Eurobond dealing. This confirms the impression that Lloyds is less interested in following the fashion for investment banking and is more naturally inclined towards conventional banking, where Standard Chartered's strengths lie.

Significantly, Lloyd's has failed to renew its applications with the US regulatory authorities to buy Standard Chartered's subsidiaries in California and Arizona. The applications were lodged during last year's bid but expired at the beginning of this year. They could, presumably, be reactivated quite quickly, but since the delay in approvals last time added a nail-biting climax to the bid, Lloyds would be certain to lodge its applications early in the event of a new offer.

Analysts agree, however, that Lloyds is unlikely to try another hostile bid, but will make friendly overtures both to Standard Chartered's management and to the three "white squires" who came to its aid last time. Sir Peter said Lloyds had not yet put out any feelers to him in preparation for a new offer.

Among the white squires, Sir Y. K. Pao, the Hong Kong shipping tycoon who has 14.9 per cent of Standard's shares, declined to comment this week on the situation. The other squires are Mr Robert Holmes a Court of Australia with a similar shareholding, and Tan Sri Khoo, the Malaysian businessman with 7.2 per cent.



Mr Brian Pitman (left) chief executive of Lloyds, and Sir Peter Graham, chairman of Standard Chartered.

Sir Y. K. and Mr Holmes a Court are directors of the bank and, according to Sir Peter, have attended all board meeting either in person or through deputies. Tan Sri Khoo was forced to resign his directorship after his National Bank of Brunei was closed down by the Brunei government.

But all of them are sitting on large paper losses. They bought their shares in the 790p-820p range, but since the bid Standard shares have traded in the 730p-780p range. Last night they closed at 764p. Although the squires' motives in buying these sizeable stakes still look mysterious, their losses might make them more receptive to a new bid. One person who is close to them commented: "They're not the sort of people who would fight to the last ditch."

Although Standard Chartered has tried hard to boost its performance in the wake of the bid, its profits suffered badly from loan losses last year, and the benefits of its cost-cutting and tougher management approach have yet to show through. But Sir Peter claims: "We're a much more streamlined bank in mid-1987 than we were in mid-1986." Since Lloyds already has 4.9 per cent of Standard Chartered, a deal with the white squires would give it 42 per cent of the shares, putting it iwthin sight of victory.

But there are big obstacles in the way. Lloyds is unlikely to make its offer before it knows the outcome of the Bank of England inquiry into allegations that Standard Chartered lent them money during the bid. Tris inquiry, launched at Standard's own request, could last until the end of this year.

In the meantime both Lloyds and Standard will have to decide what to do about their Third World loans. Lloyds, which has an exposure of over £3bn, will need to make additional provisions of £600m-£700m to match the 25-30 per cent level set by other banks in recent weeks. This would wipe out the bulk of the £800m profits which it is expected to make this year.

Similarly, Standard Chartered might have to set aside up to £200m to boost its loan loss reserve out of expected profits this year of some £300m. Standard is also standing firmly by its large but controversial stake in South African banking, which has probably become an even greater deterrent to an acquiror now that Barclays Bank has pulled out of South Africa altogether.

These financial considerations need not prevent Lloyds making a bid. Its share price has risen by over 50 per cent since last July, adding value to a paper offer, and it released £75m of capital when it pulled out of the gilts and Euromarkets. But some imaginative accounting might be needed to put the best gloss on Lloyds' balance sheet.

And if there was a bid, who would advise Standard? Mr Nicholas Jones of Schroders, who helped organise last year's defence, has now gone to Lazards. Sir Peter says "Schroders are a very satisfactory organisation. They know our bank." Mr Jones comments: "If they want me they know where I am."

Birmingham Mint boosted by acquisitions

MR COLIN PERRY, chairman of the Birmingham Mint Group, revealed yesterday that profits for 1986-87 had risen to £2.23m at the pre-tax level, an improvement of 37 per cent over the previous year's £1.63m.

He said the figures included a good contribution in the past three months from the two acquisitions announced last December.

Good prospects for further growth and progress led him to expect another satisfactory year, particularly in the second half.

For the year to March 28 turnover pushed ahead from £26.87m to £30.78m and operating profits by £402,000 to £2.09m. Pre-tax profits were after adding in other income and expenditure amounting to £139,000 against previous debits of £62,000.

Per share earnings emerged at 19.4p (16.8p) after taking account of a £149,000 rise in tax to £753,000.

The dividend is raised from 6.25p to 6.75p via a final of 4.25p which is payable on the capital enlarged by last December's rights and the issue of shares to fund the two acquisitions — S.J.&E. Fellows, a metal presswork operator, for £4.25m and a Wembley-based electrical contracts business for £3.01m.

Mr Perry said the successful integration of the two companies marked the culmination of the first phase of the directors' strategy to create a more broadly based group.

Last month it sold its holding of preference shares in Acsis Jewellery, a USM-quoted retailer, realising a profit of £150,000 over book value.

The stake was bought by Windstorm, a company run by South African-born businessman Mr Darryl Phillips.

Commenting on 1986-87 Mr Perry said the security products division had a successful year, particularly in the foreign coinage activity. The electrical components side also performed well.

He pointed out that the engineering products division was in a phase of high growth. Some substantial new business had been obtained, the most recent from three microwave oven manufacturers. However, some of the contracts had required heavy start-up costs of which £100,000 was expended last year in advance of revenue.

Nonetheless, Mr Perry expected profits from the division to grow strongly later in the current year.

At year-end the group's balance sheet was strong, with no borrowings and a substantial cash surplus.

● comment

Birmingham Mint is diversifying away from its traditional coinage business into electrical components and engineering products and this year, at least, the move appears well-timed. The Mint will have a hole in its profits as there is little on the horizon to replace the massive rupee contract. But fortunately the acquisition of the Johnson Matthey electrical contacts business has boosted the prospects of the components division and the engineering products sector has won highly lucrative contracts with microwave oven producers. First half figures are likely to be unexciting with uniform orders still delayed but stronger growth in the second half should push pre-tax profits to £3.7m for the full year. But acquisitions may change that significantly. The shares look fairly rated at 271p, on a prospective p/e of 13.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Asprey	‡8.5	Aug 28	6.5	12	10
BB and EA	1	—	0.67	1.75	1
Birmingham Mint	†4.25	Sept 11	4.25	6.75	6.25
Bristol Eve Post	5	Aug 12	4.5*	7.75*	6.75*
First Security	2.7	Sept 17	2.3	4.2	3.5
Fletcher Dennys‡	nil	—	—	1.7	1
Hollas	1.3	Oct 1	1.1	2.5	2.2
Lewmar	‡1.63	Sept 9	1.54	2.63	1.54
M & G Dual ......int	17.55	Sept 2	15.65	—	33.7
Microsystems ......int	††1	Aug 31	0.75	—	2.25
Northamber	2	—	1.3	2	1.3
Southern Business int	§1.7	Aug 20	1.3	—	3.5
Wagon Industrial	†6	—	5	10	8.5
Wintrust	4.2	Oct 1	3.6	6.2	5.4

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

Boulton reconstructs

William Boulton Group, the Stoke-based engineer, has unveiled details of a capital reconstruction intended eventually to allow resumed payment of dividends.

Caudon Group, a new holding company named for a canal in north Staffordshire, is offering one ordinary share for each Boulton ordinary and four shares for each Boulton preference share.

The reconstruction will isolate the accumulated deficit on P and L account, estimated at £4.84m at June 30.

With Cauldon taking over Boulton's two remaining operating subsidiaries, the group expects to resume dividend payments when permitted by future earnings. Ordinary shareholders have not received a dividend since 1983 and preference holders not since April 1984.

Conroy Petrol to open mine at Galmoy

Conroy Petroleum and Natural Resources, an Irish exploration company, yesterday announced that its lead-zinc propsect at Galmoy in Ireland was good enough to support the construction of a commercial mine.

The company's shares rose 2p to 88p on the news, which came as no surprise to the stock market. The company's shares have swung around wildly this year between a low of 59p and a high of 328p as reports and rumours of the find have circulated. The shares are traded on the London Stock Exchange under Rule 535 (3).

Conroy said that the deposit, on the border between Kil-kenny and Laois, would "lead to commercial mining development and become a major source of revenue for the company."

Meanwhile Oliver Resources another Dublin-listed company traded in London said it had signed a joint venture with Syngenore Explorations, a subsidiary of the Canadian group Noranda, to continue exploration of lead-zinc ore bodies at Ballinalack and Harberton Bridge in Ireland.

A third company, Europa Minerals, privately-owned and set up three years ago by former executives of RTZ, the natural resources and industrial group, announced that it has completed a £100,000 fund raising for Dana Exploration, an associate prospecting for silver and gold in South west Cork.

Senior purchase

Senior Engineering Group, through its wholly owned subsidiary Senior Engineering (Phoenix) has purchased Mainchem (Linings) and the freehold of its premises for £915,000 cash, of which £75,000 is deferred for three years.

UK COMPANY NEWS

Paul Cheeseright on Debenham Tewson's flotation

Surveying the market scene

DEBENHAM TEWSON and Chinnocks will later this month become the largest practice of commercial chartered surveyors to be quoted on the Stock Exchange.

The flotation, handled by Kleinwort Benson, is likely to value the company at between £35m and £40m. A quarter of the equity is likely to be offered to investors.

Previous share offerings by commercial surveyors—Baker Harris Saunders, Fletcher King and Sinclair Goldsmith—have been readily taken up. Baker Harris was 4.4 times subscribed last October, Fletcher King 25 times a month later and Sinclair Goldsmith eight times last February.

In all cases the share prices have risen to high premiums over the issue price as the stocks have responded to the general rise across the property share sector. So with the ice well and truly broken, the auguries for the Debenham Tewson issue look good.

In all cases too these surveyors have been looking for extra financial muscle at a time when the prefession is caught up in fast change.

Surveyors are both challenged and threatened by the blurring of the distinctions between the financial and the property markets. They are offered new opportunities as for the first time, because of deregulation, they are placed in direct contact with the capital markets. But they are placed under pressure by the spread of the financial institutions into the property sector, as, for example in the creation of Morgan Grenfell Laurie.

Reactions in the profession have been various, not only about the sort of services the surveyors ought to offer but also how they ought to offer them.

Some practices, like Drivers Jonas, believe that the provision of professional services is best done by owner-managed private parnerships: only then can the special relationship with a client be tended and preserved with confidentiality. Independence is the key to the ability to offer specialist services, free of the pressure of the shareholders and the stock market.

The overriding reason for first incorporation and second for flotation is the need for more capital than is likely to be available from private partners. Those practices which have floated have all mentioned at one time or another the need for extra funds to attract staff and provide the technology they need.

The only agreement among surveyors is that they cannot stand still. Thus there has been a move to take financial experts on—Hiller Parker is an example of this. There has been a trend towards mergers—Fletcher King bought a retail arm by taking over Peter Hunter, Chesterton Lalonde has just joined forces with Colliers Bigwood and Bewlay.

The response at Debenham Tewson was first to incorporate. That was done last April. The £10m or so that will be raised on the market will be used to finance expansion, but in what direction is not yet clear.

The directors are watching carefully the moves towards a new property investment market and they have created an information network with a series of provincial practices. Whether Debenham Tewson would itself become a market maker has not yet been decided.

It is a century older than the three other companies that have sought flotation, and differs from them not only in terms of size but also in geographical spread. Baker Harris had concentrated on the City of London, the other two were most strongly represented in the south east. But Debenham Tewson, which offers the full range of surveying services and estate agency nationally, has a foreign spread of offices.

BAKER HARRIS ACQUISITION

Baker Harris Saunders announced yesterday that it had acquired Alan G. Hood, the West End of London surveyor.

This is the first time it has used its paper for an acquisition since flotation last October.

The price is the equivalent of £326,000, met by the issue of 117,560 shares to Hood. Of these shares 48,560 are being placed by Rowe and Pitman.

Mr Alan Hood, who founded the practice which bears his name, is joining the Baker Harris board.

Glynwed agreed bid for Plastic

BY PHILIP COGGAN

Glynwed International, the fast-growing Midlands industrial group, yesterday announced a further expansion into plastics with an agreed £7.6m offer for fully-listed Plastic Constructions.

Plastic Constructions, which joined the market in 1970 capitalised at £3m, supplies specialised corrosion-resistant materials and equipment which should slot into Glynwed's distribution businesses. The acquisition forms part of Glynwed's policy of achieving vertical integration in the markets in which it operates.

In the year ended September 30, 1986, Plastic Constructions made pre-tax profits of £330,000 on turnover of £18.7m but that reflected the adverse effect of currency movements of around £250,000.

Glynwed has a commitment to achieve 20 per cent annual earnings per share growth and has been widely expected to build up its plastics interests. Last month, it bought the Italian-based Formitura Iniezione Polimeri for around £14m.

Terms of the offer are 26 Glynwed shares for every 100 in Plastic Constructions with a cash alternative of 125p per share, compared with Tuesday's closing price of 126p. Directors and their families have agreed to accept the offer in respect of 1.58m shares, 28 per cent of the equity.

J. Henry Schroder Wagg is acting for Glynwed and Hambros for Plastic Constructions.

Debfor buys Birkin for £9m

By Alice Rawsthorn

Debfor Holdings, the USM quoted lingerie group, will today announce the acquisition of the Birkin Group, the largest and one of the oldest lace manufacturers in the UK, for £9m.

Birkin, which is a privately-owned company, was founded in 1827 and has dominated the British lace industry since the early 1960s when four family firms—all based in Nottingham—merged to form the group. Last year, it made pre-tax profits of £1m on turnover of £10m.

Last Friday, Debfor's shares were suspended on the USM "pending an announcement." The acquisition, which was concluded yesterday, will be financed by cash and shares. Once the deal is completed Birkin, which operates five factories, will continue to function as an independent business within Debfor Holdings.

In the 1980s, the lace industry has become increasingly automated. Birkin has recently invested around £4m in new machinery and equipment. Having decided that in the future it would require further investment to remain competitive, the management team considered the dual options of going public on the USM, or becoming part of a larger group.

Debfor, which is the largest independent bra manufacturer in the UK, has watched its share price rise sharply—from 130p to the suspension price of 330p—since it joined the USM in April last year.

Since going public, it has acquired Halle-Models, a manufacturer of nightwear and children's wear, and intends to stage further acquisitions within associated areas of the textile industry.

Montedison listing

Montedison, the Italian chemical group, was yesterday admitted to the Official List of the London Stock Exchange. The introduction was sponsored by Goldman Sachs Equity Securities (UK), and co-sponsored by Hoare Govett and S. G. Warburg Securities.

Montedison is the only Italian company which has its shares listed on the Stock Exchange in London. The listing is the third stage of an international programme which has included the quotation of Montedison's shares in Frankfurt and Paris. The company will also be listed in New York on July 16 and in Zurich by the end of the year.

Owners Abroad stake sold by ex-chairman

Mr Neil Scott, the former chairman of travel group Owners Abroad who was believed to be considering a consortium bid for his old business, has sold the bulk of his shareholding in Owners.

Mr Scott has disposed of 4.6m shares, or 8 per cent of the equity, to Mr Samuel Dias, a former finance director of Owners and still a consultant to the group. The price for the transaction was 134p a share. This leaves Mr Scott holding 1.72m shares or 2.99 per cent.

Yesterday, Owners said it was "extremely relieved that a long period of uncertainty had come to an end" and added that it believed Mr Dias's stake to be entirely friendly.

Mr Scott, who retired from Owners aged 52 in May, is thought to have approached a number of people about a concortium bid—including Mr Harry Goodman,

Yesterday, shares in Owners eased 2p to 140p.

Allied-Lyons off to good start despite weather

ALL DIVISIONS of Allied Lyons, the drinks and food group, started well in the current year, Sir Derrick Holden-Brown, chairman, told shareholders at the annual meeting.

Sir Derrick said: "In many sectors the indications are that we are improving market share, although the weather, until last week, was not conducive to the sale of beer and ice cream."

He said: "We are in the process of building a new position in the world market place from which we have every reason to believe that we can achieve growth and a successful future."

Sir Derrick fielded a couple of questions on Victoria Wine, Allied's off-licence chain. One shareholder said that profits had declined in the period to 1985 but in 1985-86 Victoria Wine's performance had been "hidden" by being included in the beer division.

Victoria Wine's performance had not been "hidden" in another division's results, rather it had been included in that division because of its expertise in retailing, he pointed out.

Building society in rental flat scheme

MORE THAN 100 new flats for rent for students and the elderly are being built in the centre of Cardiff in a joint venture between the City of Cardiff, the Secondary Housing Association for Wales (Shaw Homes), University College and Nationwide Building Society.

Nationwide is providing £2.5m in long-term funding on top of a government urban development grant. The loan is in the form of an index-linked mortgage, in which payments are low to start with but rise with inflation. It is the largest single scheme of its kind ever funded by the society.

T.C.H. INVESTMENTS N.V.

NOTICE IS HEREBY GIVEN to holders of Bearer Curacao Depositary Receipts each representing one-tenth of one Class A share of T.C.H. Investments N.V. that the Annual General Meeting of Shareholders of T.C.H. Investments N.V. will be held at 6, John B. Gorsiraweg Willemstad, Curacao on July 30, 1987, at 15.00 p.m.

The agenda for the meeting and the Annual report 1986 are available for holders of Depositary Receipts at the office of Pierson, Heldring & Pierson N.V., Herengracht 214, 1016 BS Amsterdam, where vouchers for entry to the meeting may be obtained against delivery on or before 24th July, 1987 of Depositary Receipts and proxies to vote may be obtained for each 10 Depositary Receipts.

CARIBBEAN MANAGEMENT COMPANY N.V.

Willemstad, Curacao
July 6, 1987

UK COMPANY NEWS

Lewmar declines by 13% to £3m

AS FOREWARNED by the directors in a letter to shareholders early last month Lewmar, manufacturers of equipment and control systems for yachts and power boats, suffered a profits setback in the 1986-87 year.

Turnover for the 12 months to February 28 improved from £16.13m to £17.66m but at the pre-tax level profits fell by 13 per cent, from £3.52m to £3.05m, having been virtually unchanged at the six months' stage.

Mr John Burton, Lewmar's chairman, said yesterday that the results reflected the costs of a number of steps taken to ensure a base was created from which good sales and profits growth could be achieved in the future.

He pointed out that actual trading conditions were no better than in 1986 and added that sales were also affected by the deferral of a number of large boat contracts.

With an eye on future growth the group expanded its product range during the second half of 1986-87 via the £4.63m acquisition of Lymington-based Brookes & Gatehouse, maker of navigation instruments, and strengthened its marketing subsidiary in Holland.

Additional costs were incurred in research and development to accelerate new product development in selected areas in which Lewmar had not previously competed.

Earnings for 1986-87 worked through a 8.3p (9.1p) and a final dividend of 1.625p makes a net total of 2.625p. The group obtained a USM quote in July 1985 and paid a final dividend of 1.54p. Had the shares been quoted for the full year dividends would have totalled 2.625p.

Discussions which began in the spring and which could lead to a change in control of Lewmar were continuing.

● comment

Lewmar gave fair warning of its profits fall so it came as no great surprise to the City. Nevertheless the combination of this and the continuing uncertainty about the future control of the company saw the shares dip after the announcement and then hover around the closing price of 134p. But the group's prospects look good in three areas: new products, power boats, which it has decided to target as a faster growing area than the largely static sailboat production market, and the non-boat industrial market, where it has just landed a £600,000 contract for rigging to support a glass structure at the Louvre in Paris. Next time should see a first time contribution from Brookes & Gatehouse, plus some sales deferred from the 1986-87 year. The market expects around £3.75m, which puts it on earnings of 10.2p and a reasonable prospective p/e of just over 13.

Woodchester buys 28% stake in Lookers

BY CLAY HARRIS

Woodchester Investments, the Irish leasing subsidiary of British & Commonwealth Holdings, yesterday made its first direct move into the UK market with the purchase of a 28.4 per cent stake in Lookers, the Manchester-based motor dealer.

Woodchester bought the stake from the Lloyds Bank Group for 465p a share, financing the £10.76m purchase through a share placing. Lookers shares added 15p to 450p yesterday.

Lookers will use Woodchester's backing to implement its expansion plans through the acquisition of additional dealerships. At present it has Austin Rover and General Motors franchises in the north of England and is a supplier of Renault and Case agricultural machinery.

In return, Woodchester will be offered first refusal on all of Lookers' vehicle financing business on competitive market terms. Lookers had the same arrangement, on a less formal basis, with Lloyds.

The deal is likely to dampen takeover speculation which has dogged Lookers for some time. Mr Tom Cowie, who holds nearly 15 per cent through his Sunderland-based motor group, said that nothing had changed with the sustitution.

Lookers achieved pre-tax profits of £2.8m on turnover of £164.5m in the year to last September. Woodchester reported pre-tax profits of I£3.83m (£3.43m) in the year to March.

The Lloyds holding was split between the group's merchant bank and Bowmaker, its consumer finance arm. In April, Bowmaker sold its Irish instalment finance activities to Woodchester for £9.6m.

Woodchester has conditionally placed 5.85m shares at 183.75p, equal to 735p before the three-for-one capitalisation issue expected to be approved by shareholders today.

Woodchester shares added 22p to 760p. B&C will take up sufficient shares to maintain its holding at 58 per cent.

Southern Business advances to £1.6m

Southern Business Group, which supplies and maintains photocopiers and drink vending machines, raised pre-tax profits by 42 per cent from £1.14m to £1.61m in the six months to March 31 1987. Turnover increased 32 per cent to £5.3m.

With earnings per 10p share up from 6.72p to 9.57p, the interim dividend is lifted 31 per cent to 1.7p—last year a total of 3.5p was paid on £2.6m profits.

Mr David McErlain, chairman of this USM quoted company, said he was confident that the level of success being achieved from earlier investments, together with the continuing growth of the mainstream businesses, would ensure another successful year.

The two core operating divisions—photocopying and maxpax—continue to make substantial advances and at March 31 forward contracted income stood at £60.5m, a 31 per cent increase on an annual basis.

The group's share of associates' profits rose by £80,000 to £105,000. The chairman said the conversion of these businesses to the group's management controls was proving very successful. At year end, associates total forward contracted income amounted to £10m.

Group results do not include any contribution from the recently acquired Electronic Business Machines (Sussex).

First-half tax charge was £130,000 (£96,000) and net attributable profits came out ahead from £1.04m to £1.48m. Dividends absorb £309,000 (£185,000) — Mr McErlain who holds 1.17m shares has waived all but 0.0001p per share of the dividend due to him.

The company said it had reviewed its relationship with its professional advisers and it had been agreed that Touche Ross & Co be appointed as auditors in place of Peat, Marwick McLintock.

First Security's profits rise 50% to £2.1m

First Security Group's progress slowed a little in the second half of the year to April 30 1987 but the end result still showed pre-tax profits up 50 per cent to £2.06m compared with £1.37m for 1985-86 against a 55 per cent increase from £8.21m to £12.73m in turnover.

At the half year Dr Fred Westlake, chairman, reported improvements in turnover and profits of 58 per cent and 62 per cent respectively so growth in the second six months eased back to 53 per cent and 44 per cent.

Dr Westlake said that the automotive division had performed well and continued to benefit from the greater emphasis now placed by the major carmakers on forming long term relationships with high quality suppliers.

The market for the company's range of crash sensors continued to expand driven by the growth in Europe of fuel injection where its sensors were used to cut-off the fuel supply in the event of a crash, and central locking release.

During the year there had been a major programme to implement production of the new type 500 crash sensor. It was predicted that over 1m of these sensors would be sold in the current year.

Relocation and consolidation of the group's fire fighting activities, following the acquisition of Fire Fighting Enterprises (UK), acquired just prior to the start of the year, went ahead smoothly and gave a strong base for future growth.

In the security sector, Dr Westlake said the combination of a weak dollar and a fall off in demand for some of the established products resulted in lower sales, but through improved operational efficiency and product rationalisation, the overall profit level was maintained.

He said the security market was a conservative one and it could be expected that the company's new strategy and products would take some time to show the desired results.

United Technologies of Connecticut, US, was now the largest shareholder in First Securities with a 15 per cent stake, following the successful placing of the 48.4 per cent holding in the company held by British Car Auctions.

Operating profits last year rose from £1.36m to £2.07m; tax charged was £702,000 (£488,000) leaving £1.35m (£881,0400) for earnings of 15.6p (11p) per share. There were extraordinary debits of £90,000 (£96,000).

The dividend is increased to 4.2p (3.5p) with a final of 2.7p (2.3p).

Ex-directors attack Milford rescue terms

BY CLAY HARRIS

THE TERMS of the rescue bid for Milford Docks Company were criticised yesterday by several former directors, claiming to represent a total of 27 per cent of the shares in the troubled Welsh harbour and hotel operator.

They expressed concern about the absence of a cash alternative in what amounts to a reverse takeover by Seacon, the cargo handler and shipping group based in the Isle of Dogs. They also suggested that Seacon could afford to be more generous in its valuation of Milford's property assets at Milford Haven in south-west Wales.

Mr Charles Smith, Milford chairman for 10 years before his retirement in 1983, also said yesterday that he had "strong reason to believe that an offer far more favourable to shareholders may shortly be forthcoming." Mr Smith owns 7 per cent of Milford.

Other former directors who have declined so far to support the Seacon rescue are Mr Michael Davies, chief executive until his resignation in October, and Mr Roderick Shand and the Marquess of Milford Haven, who quit in January.

Mr Davies yesterday criticised the tone of "accept or die" (as one Welsh newspaper put it) in the warning by Lord Parry, Milford chairman, that the board could have no choice but to wind up the company if the rescue did not succeed. Milford's liabilities exceeded its assets at the end of May.

Mr Ian Hay, Seacon chief executive and joint chief executive of Milford, confirmed that another party had approached Milford in recent months to moot a rescue deal. He did not believe that the effort was still active.

Seacon Holdings, a new company, is offering 18 shares for every 100 Milford shares. Based on Guidehouse's estimate of 100p net asset backing for each Holdings share, this values Milford shares at 18p against 71p in the market before they were suspended in February.

Seacon shareholders are being offered 37 Holdings shares plus £15.50 in loan notes for each of their shares. They would control 93 per cent of the new company which would have an initial value of £6.4m.

Although Seacon Holdings initially would trade only on the Third Market, Mr Hay hoped to regain at least a USM quotation by the end of 1988.

Men and Matters Page 22

Hollas advances by 32% to £1.9m

Hollas Group, Manchester-based fabric and garment dealer, reaped the benefits of a sharp reduction in interest charges in 1986-87 and for the year saw its profits improve from £1.41m to £1.86m pre-tax, an advance of 32 per cent.

Interest charges were cut by £327,000 to £247,000. Tax was also lower at £527,000 (£559,000) and from earnings of 4.8p (3.3p) per 5p share shareholders are to receive a 0.3p lift in their dividend to 2.5p via a final of 1.3p.

Following a divestment, turnover for the year to March 31 was little changed at £30.01m compared with £30.85m. Below the line there was an extra gain of £272,000 (£45,000 debit) resulting from the sale of the holding in the Jordans Estate Agency associate.

The garment division again increased its contribution to profits and the yarn sector entered new areas of specialised processing and expanded its activities and profits performance. During the year the group completed the divestment of low margin merchanting activities which had previously contributed more than £2m to sales but little to profit.

The directors said they expected to be able to report improving levels of profitability from the existing divisions by this time next year. They added that they would also continue to examine acquisition possibilities of businesses that would strengthen the group's structure and performance.

Floyd Oil sale to Bula Oil

By Lucy Kellaway

Floyd Oil, the independent oil company, yesterday announced that it had sold its North American interests to Bula Oil, the troubled Irish oil exploration company in an all share deal.

The assets being sold are in Ohio, Michigan Alabama and Alberta, and together contain about 1bn cu ft of gas. The annual revenues form them are about $200,000 a year.

Bula has paid fo rthe assets, which include cash balances of C$1.5m with 22.75m shares.

M & G Dual Trust

For the six months to June 30 1987 M&G Dual Trust raised its net revenue from £900,000 to £1.01m after tax of £373,000 against a previous £368,000.

Earnings per 10p income share improved by 1.88p to 17.54p and the interim dividend is being raised from 15.65p to 17.55p net.

Asset value per 10p capital share, based on the managers middle quoted price of M&G General Trust Fund income units on June 30, was 2,216.39p (1,487.49p).

BBEA turnround

British Building and Engineering Appliances, Bedfordshire-based non-mechanical building equipment and plant maker and supplier, turned pre-tax losses of £17,900 into profits of £160,000 in the year to end-March 1987.

The directors are recommending an increased final dividend of 1p (0.67p) for a 1.75p (1p) total. Earnings worked through at 8.6p (0.7p losses) per share after tax of £56,000 (£9,300 credit).

Bristol Evening Post profits increase 22%

A GOOD performance from its newspaper publishing and printing activities enabled the Bristol Evening Post to lift pre-tax profits by 22 per cent from £3.82m to £4.65m in the year to March 31 1987. Turnover moved up 7 per cent to £47.89m.

The company said trading since the year end had continued at a satisfactory level and trading prospects for the current year were encouraging.

Profits from newspaper publishing and printing increased 29 per cent to £2.32m, partially due to improvements at the Clevedon and Yeovil publishing centres where last year's losses have been converted into reasonable profits.

Retail activities turned in a reduced £831,000 (£862,000). Excluding profits and losses on disposals of outlets, profits were down 0.7 per cent despite an increase in turnover. This was because of disproportionate increases in rents and rates and high losses from burglaries.

Other activities showed encouraging improvements. Features and crossword agencies made £44,000 (£29,000), transport and vehicle repair £111,000 (£96,000) and property rental and other income added £1.14m (£1.04m).

Earnings per 25p share moved ahead from 9.3p to 11.92p and the final dividend is 5p for a total in effect higher at 7.75p (6.75p).

Attributable profits came through at £2.5m (£1.53m). Tax charge was £1.68m (£1.56m) and minorities accounted for £1.03m (£0.74m). Extraordinary credits added £550,000 (£8,000) and comprised net profit on the sale of 265,000 Reuter Holdings "B" shares.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Associated Newspapers, Automated Security, A. G. Barr, Birmid Qualcast, Daily Mail and General Trust, Evode, Kode International, Widney.

Finals:—Barlays, Daejan, Fitch Lovell, Alexander Russell, Sandell Perkins, Symonds Engineering, Thorn EMI, West Industries.

FUTURE DATES

Interim:—

Eurotherm International	July 13

Finals:—

Authority Investments	July 15
Dee Corporation	July 23
Israel (Jack L.)	July 16
Mainmet	July 24
Menvier Swain	July 22
Mercantile House	July 29
Neepsend	July 30
Park Food	July 17
Scottish & Mercantile Inv Tst	July 14

Public Works Loan Board rates

Effective July 8

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
1	—	—	9½	—	—	10
Over 1 up to 2	9½	9½	9½	10⅛	10⅛	9⅞
Over 2 up to 3	9½	9½	9½	10⅛	10⅛	9⅞
Over 3 up to 4	9½	9½	9½	10⅛	10⅛	9⅞
Over 4 up to 5	9½	9½	9½	10⅛	10⅛	9⅞
Over 5 up to 6	9½	9½	9½	9⅞	9⅞	9⅞
Over 6 up to 7	9½	9½	9½	9⅞	9⅞	9⅞
Over 7 up to 8	9½	9½	9½	9⅞	9⅞	9⅞
Over 8 up to 9	9½	9½	9½	9⅞	9⅞	9⅞
Over 9 up to 10	9½	9½	9½	9⅞	9⅞	9⅞
Over 10 up to 15	9½	9½	9½	9⅞	9⅞	9⅞
Over 15 up to 25	9½	9½	9½	9⅞	9⅞	9⅞
Over 25	9½	9½	9½	9⅞	9⅞	9⅞

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Wagon Industrial shows £1.4m rise over year

Second half profits from Wagon Industrial Holdings came to £4.44m and showed an increase over the corresponding period of the previous year as expected.

They pushed up the total profit for the year ended March 31 1987 to £7.5m, against £6.14m. Earnngs were 25.1p (18.51p) and the final dividend is 6p for a net total of 10p (8.5p).

The profit rise was equal to 23 per cent, and was achieved on turnover ahead 14 per cent, from £83.42m to £95.24m. At the year-end shareholders' funds equalled 153.1p (126p) per share.

Breakng down the profit showed material handling and storage accounted for £4.48m (£3.[illegible]m), office equipment £2.17m (£1.3m), engineering £821,000 £993,000), and other investment income £75,000 (£187,000). Geographically, £6.68m (£5.84m) was made in the UK and £863,000 (£299,000) overseas.

The French office equipment subsidiary Vinco achieved a material improvement in profitability. In engineering, Oleo, make of hydraulic energy absorption equipment, performed ahead of the Bolt & Nut Co and Steel Precision Engineering.

Currently, orders were 30 per cent higher that at the same time alst year, the directors reported. The recent acquisitions, Contract Engineers for £550,000 plus profit related performances and Wefco (Gainsborough) for £2.5m, were already contributing significantly to group profits, they stated.

● comment

Wagon has been rolling along on only three wheels for several years as a result of an ill-fated investment in France but last year, a Gallic turnround had the double benefit of adding £600,000 to pre-tax profits and bringing some tax losses into play. By British standards, Vinco still fails to earn a satisfactory return but at least its recovery allows Wagon to focus on expansion in other areas, notably materials handling where Link 51 is the start. The company has so far only dipped its toe into the acquisition waters but a further leg—possibly consumer products or speciality packaging—could be added this year. The shares, which rose 13p to 418p, have had a good run since the start of the year when they were around 260p and assuming pre-tax profits of £8.5m this year they are on a prospective *p/e* of 15. With an ungeared balance sheet, that means Wagon should have plenty of scope for expansion.

Wintrust profits up 20% to £4m

By David Lascelles

Wintrust, the small London merchant banking group, increased its pre-tax profits by 20 per cent to £4m in the year ending March 31. Earnings per share were up 24 per cent to 25.41p.

Mr Richard Szpiro, managing director, said the group had benefited from strong demand for the type of flexible, personalised service offered by Wintrust. He said the bank was considering the acquisition of companies in complementary fields such as insurance broking, mortgage broking, stockbroking and fund management.

David Smith in £4.4m cardboard sale

By Clay Harris

David S. Smith (Holdings), the packaging group, has sold two corrugated cardboard plants for £4.44m to Cartonneries Associees. The Bristol and Clay Cross plants will give the French company its first foothold in the UK market.

Smith also announced a £20m investment programme to strengthen its position in the sheet plant market, producing cardboard to the specifications of independent box makers.

Mr Richard Brewster, chief executive, said yesterday that the French group planned to invest £5m to re-equip the plants, which were among the oldest and least-advanced of corrugated facilities acquired in the takeover of St Regis last year.

Clay Cross, the largest corrugated plant in Europe when it opened in the 1960s, was built to serve white goods manufacturers. Bristol made transit packs for the tobacco industry, a market where shrink-wrap and other specialist packaging now holds sway.

St Regis will supply a large proportion of the plants' paper requirements under long-term contract. Cartonneries accounts for 10 per cent of the French corrugated market.

Microsystems keeps up growth with 59% more

GROWTH HAS continued apace at Micvrosystems Group, the USM-quoted electronics undertaking enlarged early this year by the purchase of Analytical Instrunments. In the half year ended May 1 turnover advanced 19 per cent to £7m while the pre-tax profit soared 59 per cent, from £1.13m to £1.8m.

The directors said the strong trading results produced a substantial inflow of funds; cash resources were reduced by the acquisition of Analytical Instruments but the commitment was still to further growth from outside the group.

The Wayfarer Ticket division was again the major contributor to results, but of particular note was the significant contribution from the Callog subsidiary — an acquisition made nearly two years ago.

Sales of Time Recording products grew in the UK and overseas as improvements have been incorporated in the product range.

Increased resources have been allocated to overseas marketing and significant new opportunities to tender have been generated. Success was recently achieved with the award of a $3.3m contract to supply bus ticketing equipment to New Jersey, in the US.

Substantial reorgainsation was in hand at AI and integration was proceeding well. It provided an addition to overseas outlets.

Earnings for the first half came to 10.9p (6.49p) and the interim dividend is lifted to 1p net, against 0.75p.

GRA gets Harringay green light

GRA, the dog track and property company, is to be allowed to proceed with its planned redevelopment of Harringay Stadium. It plans to sell the 20-acre site to J. Sainsbury to build a superstore.

Haringey Council challenged the development in the High Court after the Secretary of State for the Environment granted planning permission. This permission has been upheld by the High Court.

Tight controls at Northamber helps growth

Further growth was achieved by Northamber, specialist supplier of computer printers and peripheral products, in the year ended April 30, 1987. The dividend is raised from 1.3p to 2p net per share and there is to be a 1-for-1 scrip issue.

In the year turnover advanced 84 per cent, from £21.65m to £35.46m, and the pre-tax profit rose 47 per cent, from £1.85m to £2.72m. Earnings orked through at 21.7p (13.8p).

The directors said tight controls over operation costs resulted in a further lowering in overhead costs as a percentage of sales.

The maintained high rates of stock turnover coupled with a bad debt ratio still below 0.3 per cent of sales, further contributed to "this most satisfying result."

They added that the current year had started in line with expectations. There had been a continuing growth in sales and profitability and they were confident of a satisfactory year.

Yearlings

Yearling bonds totalling £0.85m at 9½ per cent, redeemable on July 13 1988, have been issued by the following local authorities. Alnwick District Council £0.1m: Bedfordshire County Council £0.75m.

APPOINTMENTS

New chairman at Owen Owen

Ward White Group has appointed Mr Eric Greenhalgh as chairman and chief executive of OWEN OWEN. Mr Greenhalgh, who is currently managing director of Selfridges, will take up his appointment on August 2. Mr Greenhalgh has extensive experience in department store retailing, having also been director of trading at the John Lewis Partnership and executive chairman of Walton Bond, the Australian department store chain. Mr John Norman, who has been chairman of Owen Owen since 1964 will continue as a non-executive director of Owen Owen until his retirement later in the year, when he will be appointed honorary president.

★

TURNER & NEWALL has appointed Dr Amar Sabberwal, managing director of its subsidiary BIP Chemicals, to the board of T&N Technology, the group's central research and development facility based at Rugby.

★

Mr Charles Vaughan-Johnson has joined the board of THE PRIVATE CAPITAL GROUP, the personal financial management specialist within the Scandinavian Bank Group. Mr Vaughan-Johnson is president of New World Trust. His appointment follows the acquisition of 10 per cent of the enlarged capital of the New World Trust by The Private Capital Group.

★

Mr Michael J. Hoare has been appointed a non-executive director of FIVE STAR LEISURE.

★

CALOR GROUP has appointed Mr Jonathan R. Dance as company secretary and Mr H. Willoughby Jones as group treasurer. Mr Dance retains his responsibilities as director of legal affairs and Mr Jones his responsibilities as director of corporate affairs.

★

Mr John Manser, chief executive of Save & Prosper Group, has been appointed chairman of MONTAGU LOEBL STANLEY.

★

Mr John Studholme, general manager of DIDSBURY ENGINEERING, has been appointed to the board.

★

Mr M. A. Pettifer has been appointed a director of DOUGLAS COX TYRIE, part of the Devitt Group.

★

Mr Bob Russell has been appointed managing director of BURGESS ELECTRONIC CONTROLS, a newly-formed wholly-owned subsidiary of Burgess Group. He was previously managing director of an electronic division of United Technologies Corporation. Mr Richard Rogers has been appointed group finance controller.

★

Mr Eric Richards, Mr John Lawson, Mr Mike Homer, Mr Tony Blackburn and Mr Alan Geary have joined the board of THE MELVILLE GROUP. At Carlton Waller Mr Frank Cardwell has been appointed chairman as well as managing director. Mr Geary has been appointed managing director of Carlton Benbow Contracts with Mr Derek Winkley as deputy managing director. At Carlton Taylor Mr Barry Henry joins the board and Mr Eddie Hunt becomes general manager. Mr John Gibson has been promoted to managing director of Carlton Benbow Electrical. Mr George Rajendra joins the board of Melville Dealing and Communication Products and Carlton Architectural Metalwork, and Mr Nick Marshall joins the boards of Carlton Retail Services and Carlton Benbow Electrical.

★

Mr Louis Shakinovsky has been appointed director of legal and credit services for SOLAGLAS UK. He remains legal and credit director of Solaglas International. Mr Ken Graham has been appointed to the position of marketing director of the glass and glazing division of Solaglas Ltd. He joined the group in 1982 and was subsequently appointed group marketing manager of Solaglas International.

★

Mr Roy Amey, a local director at BARCLAYS BANK'S Liverpool local head office, has been appointed an assistant general manager at the bank's head office in London. Mr Bernard Scott has been appointed a deputy divisional general manager of the central management services department. He was previously an assistant general manager within the department.

★

Mr Ken Romney has joined SENTINEL LIFE as financial controller, having previously been chief accountant at Imperial Trident.

★

Mr John Morris has been appointed director designate of Citibank's subsidiary TRUST COMPANY. He will be responsible for developing Citibank's UK corporate trust busines with particular emphasis on the unit trust industry. He was previously the manager of Midland bank Trust Co corporate services branch.

COMMODITIES AND AGRICULTURE

Peruvian gas reserves uprated

By Doreen Gillespie in Lima

ROYAL DUTCH SHELL has increased its estimate of gas reserves in Peru's central southern jungle following completion of its latest wildcat well in a $200m exploration programme. It now says the figure could be as high as 10,000bn cubic feet.

Following earlier drilling Shell had already estimated 7,000bn cubic feet, putting Peru's gas reserves in third place in South America, after Venezuela and Argentina.

Shell has been negotiating since March with Petroleos del Peru (Petroperu) whether or not it can go ahead on the gas development and on what terms. Petroperu estimates the cost, including construction of a 600km gasline from the jungle over the Andes to the coast, at more than $1bn.

Shell and Petroperu are also making joint studies on prospective markets, the precise amount of investment needed at the different stages and contractual terms. Shell's exploration contract does not include terms for developing gas.

A preliminary study has resulted in the companies ruling out exports for the time being. They have more or less decided that the gas should be used for industrial fuel and generation of thermal electricity.

Petroperu is asking industrial companies, most of which use fuel oil, to project their requirements for eventual conversion to gas. Financing is hazy, however, and depends for a start on the Government's ability to reach an agreement with Shell.

Enron Corporation of Houston, has offered to invest in the gas pipeline half the compensation it received when its Belco offshore subsidiary was taken over by the Government in December 1985. The Government in mid-June named appraisers to value an inventory of Belco assets completed at the end of last year.

This meant that Enron, one of the top US gas processing and transport companies, and Petroperu would finally be able to sit down at the negotiating table. Petroperu was expecting to be able to raise financing for a gasline from the World Bank and the Inter-American Development Bank once it signed an economically viable contract with Shell.

First, however, it would have to make its peace with the World Bank, which suspended disbursements on loans in May after the Government fell seriously behind on debt amortisation.

The gas find could compensate in part for Peru's declining oil reserves which have fallen below 500m barrels from 835m barrels in 1982 reflecting the limited exploration of recent years.

Shell, which was looking for oil when it made its big gas find, is hoping it will hit oil in its sixth wildcat, which is being drilled to the northwest of the gas fields. Petroperu—strapped for cash by high taxes and low international prices—is especially keen on a gas project which could revolutionise Peru's entire energy system.

This currently depends on oil for 60 per cent of its supplies—with the proportion rising to 80 per cent in industry. The balance is supplied by hydro-electric power.

Peru in $21m settlement over Hunt silver affair

BY WILLIAM HALL IN NEW YORK

E. F. HUTTON, the Wall Street broker, and Banque Populaire Suisse, a leading Swiss bank, have agreed to pay $21m to Minpeco, the state-owned Peruvian trading company, which alleged that they had helped force up world silver prices in the late 1970s.

The settlement means that Minpeco, which markets most of Peru's mineral and metals production, has won another significant round in its efforts to recoup the more than $100m the company lost in silver futures trading in 1979—a period when the wealthy Hunt Brothers of Texas were trying to corner the world's silver market.

Minpeco, which is believed to be the single biggest casualty in the Hunt's infamous bid to corner the world silver market, alleged that Hutton, Banque Populaire Suisse and others, were part of a general conspiracy which helped the Hunt Brothers and their wealthy Saudi Arabian friends to raise the price of silver in 1979 and 1980.

The Peruvian company claimed that Hutton and Merrill Lynch, its brokers breached their fiduciary duty by encouraging Minpeco to sell silver short in the market when they knew that the silver price was going to rise because they were helping the Hunt brothers establish long silver positions.

Neither E. F. Hutton nor Banque Populaire Suisse acknowledged any wrongdoing in agreeing to the settlement.

Under the settlement, E. F. Hutton has agreed to pay $11.5m to Minpeco and Banque Populaire Suisse will pay $9.5m.

Mr J. E. Corette of the Washington law firm of Cole & Corette which is representing Minpeco said that he was "very pleased with the settlement" and said that there was a good likelihood that there would be other settlements ahead of next January's trial of several other defendants, including the three Hunt Brothers, their Saudi Arabian accomplices and Merrill Lynch.

Minpeco won $6m in a settlement reached last year with Continental Grain Company and several of its subsidiaries, and its attorneys appear confident that there will be other out-of-court settlements by defendants who are nervous about the *sometimes unpredictable outcome* of jury trials. There have been estimates that Minpeco could win over $400m in damages if the cases went to trial.

Hail spoils S African maize

BY JIM JONES IN JOHANNESBURG

HAIL DAMAGE and reduced fertiliser usage have cut South Africa's maize harvest and prevented resumption of long-term export contract sales.

At the start of this year the total crop was forecast at 8.1m tonnes, of which 600,000 tonnes were expected to be retained by farmers and 5.5m tonnes consumed domestically.

The total crop now being harvested is likely to be only 6.8m tonnes, however, according to Dr Hennie Davel, general manager of the Maize Board. That would leave only 6.2m tonnes for domestic use and export after farmers' retentions. Imports should not be needed.

Dr Davel attributes the fall to hail, which damaged crops in the Eastern Transvaal, and reduced fertiliser usage by financially pressed farmers. The lower fertiliser use led to lower than expected bushel weights throughout the maize growing region.

South Africa had hoped to resume long-term export deliveries to Japan and Taiwan this year after four years of drought-affected harvests.

The Government is trying to curb maize production as export revenues are generally less than production costs. The Maize Board believes that an appropriate harvest target is 8m tones, which should ensure domestic self-sufficiency in nine out of 10 years.

● South African fertiliser manufacturers have applied to the Board of Trade for an increase in urea import tariffs. The manufacturers have asked for tariffs which ensure imported urea cannot be sold in South Africa for less than R275 per tonne against the present R272 per tonne. All other fertilisers can be imported tariff-free, but local manufacturers claim that urea is being dumped in South Africa below cost.

CHEMICAL BANK, of the US, has approved Mr Stephen J. McWhir president of Chemical International Securities Corporation (CISC), a subsidiary which is licensed Eurosecurities broker-dealer.

Mr McWhir will manage CIS'C daily activities and will serve as chief liaison between the subsidiary and its parent, Chemical New York Corporation.

World wheat output for 1987-88 is put at 518m tonnes by the International Wheat Council in its latest monthly report—6m tonnes less than forecast last mnoth and 18m tonnes down on the 1986-87 record of 546m tonnes, writes Our Commodities Staff.

Lower estimates for Australia, Pakistan and the Soviet Union are only partially offset by an increase in expected production in China and Iran.

Soviet wheat imports are forecast at 22m tonnes this year, up from the previous estimate of 20m tonnes.

Australian wheat area down sharply

BY CHRIS SHERWELL IN SYDNEY

THE AREA planted to wheat in Australia this crop year is only 9.4m hectares, the smallest since 1976-77, according to latest estimates from the Government's Bureau of Agricultural Economics.

The projection for the 1987-88 season is a reduction on last year's 11.2m ha and lower than previously estimated. With average yields it implies a wheat harvest of around 13.1m tonnes, down 21.5 per cent on last year's.

The estimate reflects a swing to alternative crops because of the poor world price outlook for wheat.

Overall, the total area planted to winter grains and oilseeds this year will be down 4 per cent on last year, the Bureau said in its report yesterday.

But while the wheat figure is in the fourth consecutive year of decline, estimates for plantings of barley, oats, grain legumes and oilseeds show increases.

Barley planting for 1987-88 are forecast to be 2.6m ha, up 12 per cent on last year. Production is forecast at 3.6m tonnes.

Australia regularly ranks around third or fourth in world wheat and flour exports, behind the US and Canada and on a par with the European Community. In 1986-87 it produced its fourth largest crop on record of 16.7m tonnes.

Appeal Court reserves judgment on tin case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE COURT of Appeal yesterday reserved judgment on the International Tin Council's challenge to a High Court ruling that certain of its documents could be used as evidence in legal proceedings.

Last month Mr Justice Webster ruled in the Commercial Court that documents relating to the ITC's trading activities were not protected by the inviolability conferred on the council's archives under English law.

Nor, the judge said, were "properly obtained" copies of any ITC documents or information derived from documents.

The ITC had intervened in a case in which two Shearson Lehman companies disputed the validity of a London Metal Exchange rule imposing a fixed settlement price on outstanding tin contracts following the collapse of the ITC's price support operation, in October 1985.

In the same action, which was suspended while the documents issue was dealth with, Shearson claimed a total of more than £61m from two tin traders, Maclaine Watson and J. H. Rayner (Mincing Lane)

Farm deaths lower

FIFTY-FIVE people died last year in farming accidents, the lowest ever recorded and down from 83 deaths in 1985, the Health and Safety Executive announced at the Royal Show this week. Self-propelled machines accounted for 30 per cent of all farm deaths with other field machines (13 per cent), falls (12 per cent) and falling objects (11 per cent) as the next most common causes.

The Samaritans announced, however, that counselling aimed at rural communities is to be stepped up as the result of growing concern about the increasing number of suicides among farmers.

Antimony suffers China syndrome

BY JIM JONES IN JOHANNESBURG

CONSOLIDATED MURCHISON of South Africa, one of the world's largest antimony producers, is monitoring Chinese exports of the metal very closely.

China has been trying to extend exports recently, but last year sales were disrupted by Peking's decision to decentralise control over minor metals marketing.

As a result traders in the West have complained that Chinese export traders have been striking contracts which they have been unable to deliver.

Mr Barry Davison, managing director of Consolidated Murchison, says the company aims to remain the market's principal supplier.

When technical and political problems started to cut production about four years ago in Bolivia, one of the largest producers, the shortfall was largely made up by China. Unfortunately, says Mr Davison, that more or less coincided with the disappearance of sales by Minmet, the Chinese metals marketing company which used to have a virtual monopoly, and the advent of sales by individual Chinese provinces.

Export controls vanished and China began selling extremely poor quality antimony metal, sulphide and crude oxide at prices which deeply discounted the benchmark Metal Bulletin quotation.

Chinese stibnite concentrates were being sold at about $12, little more than half the free market price.

Mr Davison believes that Peking is restoring control over exports which seriously disrupted the market last year. He says, however, that this is creating difficulties for producers of antimony trioxide used as a flame retardant in plastics and textiles. Murchison's understands that Peking is now insisting that Chinese miners obtain export permits and do not undercut specified prices.

China is using more of its antimony domestically and has integrated its antimony industry forward into the production of antimony trioxide, the only antimony derivative with market growth potential. It is also believed to be planning to produce so-called master batches—a combination of antimony trioxide, stabilisers and polymers used in the manufacture of flame retardant plastics.

As China uses more antimony at home some European smelters are being left short of antimony sulphide which they convert into pure trioxide, Mr Davison says. This has also led American refined trioxide producers to institute anti-dumping suits against the Chinese who are selling refined trioxide at discount prices in the US and failing to supply adequate amounts of acceptably pure crude oxide for conversion.

Mr Davison will not say whether the complainants are the three unnamed American trioxide producers who have interests in the Antimony Products (AP) plant which converts sulphide concentrates into crude oxide at Consolidated Murchison's mine.

Shortages spark indium rising

BY STEFAN WAGSTYL, MINING CORRESPONDENT

THE PRICE of indium, a metal used in low melting-point alloys, liquid crystal displays and anti-mist coatings on vehicle windscreens, has risen more than threefold since the beginning of the year to $33) a kilo, including a $50 increase in the past week.

Prices have been driven up by a combination of shortages of supplies from China, an important exporter of several minor metals, and an increase in demand, chiefly in Japan. *Traders say that Japanese car* makers have been buying metal for a newly-developed process for coating windscreens to stop them misting up.

World consumption of indium is about 75 tonnes a year, worth about $25m. The metal is produced as a by-product of zinc refining, along with other minor metals, including cadmium, the price of which has also risen in recent months.

Traders in Europe say that a strike at Cominco, the Canadian mining group which is one of the world's largest zinc producers, has helped to push up prices. But the main reason why prices of indium have risen, *along with cadmium*, bismuth and antimony, is that Chinese supplies have been disrupted by administrative reforms in the country.

About two years ago control over foreign trade was decentralised with the result that many provincial agencies were allowed to compete for orders. Some signed contracts they were later unable to fulfil. Now Peking is understod to be trying to restore order in foreign trade relations, but traders continue to have difficulties in getting material they have been promised.

Indium is currently at its *highest since hitting $643 a kg* in the early 1980s. Roskil, a London research company, says that prices this year are unlikely to hit those levels again.

LONDON MARKETS

ZINC PRICES came under pressure in thin trading on the London Metal Exchange yesterday as recent firmness was eroded by the weakness of copper and lead prices. The cash high grade position's £11 fall to £529 a tonne wiped out the week's early gains, although traders said the market was still underpinned by the continuing strike at Cominco's Trail and Kimberley production units in British Columbia. They said the price was unlikely to fall much further unless there was progress towards a Cominco settlement. The copper market had opened very firm, reflecting overnight strength in New York and the cash Grade A price traded up to a two-year high of £1,071 a tonne at the official morning ring. But afternoon profit-taking encouraged by an easier tone in New York took the price right down to £1,042 a tone at the close, only £1 up on the day. The copper sell-off was quoted as the main reason for a late fall in lead which took the cash price down to £424.50 a tonne, down £6, at the close. Supply tightness still appeared to be supporting the market, however, traders noted.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) £ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1594-5	—18	1605/1594

Official closing (am): Cash —— (——), three months 1,603-4 (1,620-5), settlement —— (——). Final Kerb close: 1,594-6. Ring Turnover: 2,375 tonnes.

ALUMINIUM—99.5 per cent

99.5% purity	£ per tonne		
Cash	999-1001	+4	1011/1009
3 months	941-2	+2.75	952.5/940

Official closing (am): Cash 1,009-1,010 (1,002-3), three months 950-1 (947-8), settlement 1,010 (1,008). Final Kerb close: 944-6. Ring Turnover: 12,850 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	1041-3	+1	1070/1071
3 months	1031.5-2	+4.5	1057/1030

Official closing (am): Cash 1,070.5-1.5 (1,046-8), three months 1,056-7 (1,040-1), settlement 1,071.5 (1,048). Final Kerb close: 1,035-6.

Standard			
Cash	1040-2	+12.5	1070
3 months	1016-17	+4.5	—

Official closing (am): Cash 1,068-70 (1,040-5), three months 1,040-50 (1,024-8), settlement 1,070 (1,045). US Producer prices 78.5-83 cents a pound. Total Ring Turnover: 72,125 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	424-5	—6	427/426
3 months	405-6	—7.75	422/405

Official closing (am): Cash 426-7 (431-2), three months 408-9 (416-17). settlement 427 (432). Final Kerb close: 408-9. Ring Turnover: 14,400 tonnes. *US Spot: 39-42 cents a pound.*

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	2810-20	+12.5	2810
3 months	2845-50	+19.5	2850/2830

Official closing (am): Cash 2,825-30 (2,835-40). three months 2,855-60 (2,858-60). settlement 2,830 (2,840). Final Kerb close: 2,840-5. Ring Turnover: 882 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	528-30	—11	—
3 months	515-16	—11	530/515

over Official closing (am): Cash 535-6 (543-4), three months 521-2 (529-30), settlement 536 (544). Final Kerb close: 517-16. Ring Turnover: 5,625 tonnes. US Prime Western: 47.5-48.5 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Sept.	Calls Nov.	Puts Sept.	Puts Nov.
Aluminium 99.7%	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
Aluminium 99.5%	1,525	—	—	31	85
	1,550	44	31½	42	101
	1,575	33	25	—	—
Copper (Grade A)	1,700	47	61	78	121
	1,725	39½	53	93½	137
	1,750	32	46½	—	—
Copper (Grade A)	£/tonne 1,025	—	40½	23½	48½
	1,050	22½	26½	34½	58
	1,075	14½	19	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.48 (16.47) ringgit per kg. Up 0.01.

GOLD

GOLD BULLION (fine ounce)	July 8	
Close	$446¼-446¾	(£275½-276)
Opening	$442½-445	(£273½-274)
M'n'g fix	$442.15	(£273.472)
Aft'n'n fix	$446.40	(£275.256)
Day's high	—	—
Day's low	—	—

GOLD AND PLATINUM COINS

Am Eagle	$458-463	(£283-286¼)
Mapleleaf	$459½-462½	(£284-285¾)
Kr'g'r'nd	$446½-448½	(£284-277¼)
½ Krug	$231½-232½	(£143-143¾)
¼ Krug	$116½-117½	(£72-72¾)
Angel	$457-460	(£282½-284¼)
1/10 Angel	$44¾-48¾	(£27-30¼)
New Sov	$104½-106½	(£64½-65¼)
Old Sov	$104½-106	(£64½-65½)
Noble Plat	£579-589	(£357¼-364)

INDICES

REUTERS

July 7	July 6	M'th ago	Year ago
1637.3	1645.9	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 2	July 1	M'th ago	Year ago
Spot	128.49	127.04	—	124.65
Fut	126.08	125.46	—	112.57

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 8 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1710/760	+10	$1620/645
Copper			
Cash Grade A	£1042	+1	£957.5
3 months	£1031.75	+4.5	£936.5
Gold Troy oz	$446.5	+3.5	$455.75
Lead Cash	£424.5	—6.0	£383
3 months	£405.5	—7.75	£365.5
Nickel			
Free Mkt.	207/227c	—1	197/217c
Palladium oz	$138.75		$138.50
Platinum oz	$554.75		$564.00
Quicksilver†	$235/245		$260/270
Silver troy oz.	455.45p	—5.45	479.20p
3 months	466.15p	—5.15	489.65p
Tin			
free Mkt.	£4070/100	—10	£4110/140
Tungsten	$56.21		$59.16
Wolfram 22.01b.	$48/55		$48/55
Zinc	£529	—11.0	£544.5
3 months	£515.5	—11.0	£533
producers	$850		$830
OILS			
Coconut (Phil)	$600x		$430
Palm Malayan	‡		$340
Seeds			
Copra (Phil)	$320x		$285
Soyabean (U.S.)	$151z		$156
GRAINS			
Barley Fut. Nov.	£98.75	—0.45	£97.7
Maize	‡		£152
Wheat Fut. Sept	£99.25	—0.25	£99.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1316.5	—8.0	£1238.5
Coffee Ft. Sept	£1223.5	+13.0	£1315.5
Cotton A Ind.*	81.50c	+0.05	80.60c
Gas Oil Aug.	$163.00	+0.25	$156.25
Rubber (kilo)	69.00p	—0.50	63.5p
Sugar (raw)	$172.00	—0.40	$166.8
Wooltops 64s	477p kilo		487p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. v July. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov.

SILVER

Silver was fixed 5.40p an ounce lower for spot delivery on the London bullion market yesterday, at 455.45p. US cent equivalents of the fixing levels were: Spot 736c, down 11c; three-month 749.20c, down 10.7c; six-month 762.45c, down 11.2c; and 12-month 789.65c, down 11.85c. The metal opened at 455½-457½p (737-740c) and closed at 472-474p (764-767c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	455.45p	—5.45	760.5c	+21.5
3 months	466.15p	—5.15	772.5c	+20.5
6 months	476.45p	—5.35	—	—
12 months	496.95p	—5.55	—	—

LME—Turnover: 1 (3) lots of 10,000 ounces.

Final kerb close 773-5c.

COFFEE

A quiet day for Robustas as prices consolidated around previous day's levels, reports Drexel Burnham Lambert. In poor volume, mixed activity kept prices within the day before's range with light price-fixing preventing further losses.

COFFEE	Yesterday close	+ or —	Business done
July	1188-1189	+11.5	1185-1180
Sept.	1222-1222	+13.0	1225-1210
Nov.	1240-1245	+6.0	1248-1240
Jan	1267-1270	+8.0	1270-1265
Mar.	1290-1292	+5.0	1295-1287
May	1305-1312	—8.0	1312-1309
July	1320-1340	—10.0	—

Sales: 2,135 (6,058) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 7: Comp. daily 1979 94.28 (94.30); 15-day average 97.59 (96.10).

COCOA

Cocoa futures having initially opened higher, eased throughout the day closing £7-£10 down. Physical activity was confined to manufacturer price-fixing, while origins remain above current market levels. Cocoa tendered to July terminal position stands at 4,970 lots with 17 retenders, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1345-1350	—12.0	1370-1345
Sept.	1316-1317	—8.0	1322-1313
Dec.	1358-1359	—5.5	1360-1355
March	1357-1359	—8.5	1387-1353
May	1372-1375	—4.0	1380-1373
July	1394-1395	+0.5	1398-1393
Sept.	1410-1411	+1.5	1414-1405

Sales: 3,488 (5,978) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for July 7 1,648-25 (1,651.94): 10-day average for July 8 1,625.40 (1,624.65).

FREIGHT FUTURES

The market opened lower on what appeared to be a reaction to the recent sharp rise. US Gulf/Japan traded at $14.15 but the market seemed unimpressed. *The index was fixed 8.5 points higher at 919.5 but the decline continued to close on the lows. Technical considerations appeared to dominate today's action with the failure of October to hold above the 1,000 level, reports Clarkson Wolff.*

	Close	High/Low	Prev.
Dry Cargo July 8			
July	887	916/887	912/914
Oct.	967	985/967	995/1006
Jan.	972/975	1000/972	1005/10
Apr.	995	1000/995	1020/30
July	860/920	—	—
Oct.	960/980	—	—
Jan.	970/995	990	—
April	1050/1080	—	—
BFI.	919.5	—	911

Turnover: 403 (330).

GRAINS

Old crop wheat again struggled on trade long liquidation while new crops saw hints of first signs of farmer sellers, hence attracting good volume country hedge selling, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	118.50	—0.58	—	—
Sep.	99.25	—0.25	96.65	—0.58
Nov.	101.50	—0.20	98.75	—0.45
Jan.	104.25	—0.20	101.70	—0.50
Mar.	106.70	—0.15	103.45	—0.35
May	109.35	—0.20	104.05	—0.45
July	111.50	—0.20	—	—

Business done—Wheat: July 118-75-8.25, Sept 99.25-9.10, Nov 101.45-1.40, Jan 104.30-4.10, March 106.60 only, May 109.25 only, July untraded. Sales: 112 lots of 100 tonnes. Barley: Sept 96.90-5.60, Nov 98.70-8.60, Jan 101.95-1.65, March 104.15-3.95, May 105.35 *only. Sales: 59 lots of 100 tonnes.*

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July 96.50, Aug 93.75, Sept 93.25. US No 2 Soft Red Winter: July 89.25, Aug 89.00, Sept 90.25. French 11½-12 per cent: July 118.75, Aug 118.00. English feed, fob: Sept 100.50-101.00 buyer/seller, Oct 103.00 seller, Oct/Dec 104.00 buyer, Jan/March 108.00-109.00 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: July 160.50. Barley: English feed: Aug 88.00 seller. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed Barley: Scotland 94.40. The UK monetary coefficient for the week beginning Monday July 13 is expected to remain unchanged.

POTATOES

After nervous £3.50 rally to £149.00 April, the market came under renewed selling pressure, rapidly falling away to close at lunch £1.30 down, reports Coley and Harper. Although there were several attempts to run levels up during the afternoon these were fairly easily contained and by mid-afternoon trading had taken on a decisively bearish tone. Some support was evident around £142.00 on close with market bouncing 70p on booksquaring.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	99.80	102.50	104.0-101.0
Feb.	109.50	114.00	
Apr.	142.70	145.50	149.0-142.0
May	105.00	108.50	160.0

Sales: 1,480 (3,047) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.40-17.45*	—0.025
Brent Blend	19.40-19.50	—0.05
W.T.I. (1pm est)	20.75-20.80*	—0.05
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe		
Prompt delivery cif ($ per tonne)		
Premium gasoline	193-195	—
Gas Oil	161-163	—
Heavy fuel Oil	108-110	—
Naphtha	171-173	—1

* August.

Petroleum Argus estimates

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 97.39p per kg lw (+1.84); GB—Sheep 213.56p per kg est dcw (+43.05); GB—Pigs 71.68p per kg lw (—3.27). Average all pigs price: 101.38p per kg dw.

US MARKETS

EARLY TRADE and commission house selling eased crude oil futures, but local buying and short-covering rallied prices back, reports Drexel Burnham Lambert. Trade and local buying steadied gold and silver, while commission house stops were touched off in platinum as the precious metals firmed in response to an easier bond market and lower US dollar. Copper, on the other hand fell on fund selling, though the trade was a noted buyer.

Technical selling eased cocoa, but industry support was noted. Local and trade buying firmed coffee touching off commission house stops, while sugar fell on trade selling, but recovered slightly on profit taking. Cotton firmed on commission house buying and local short-covering in the face of trade scale-up selling. A feeling that dressed beef prices could move lower depressed cattle futures, while in the pork bellies, continued tight supplies firmed the futures market, while hogs rallied in response to higher cash prices. The soyabean complex featured long liquidation across the board, especially in new crop contracts, as the trade discounted forthcoming planting reports and as a result of favourable weather forecasts. However, old crop contracts remained firm. A weak undertone added to the weakness in meal and oil. Corn and wheat tended to ease under the influence of the weaker soyabean complex.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	73.00	73.60	74.00	73.75
August	73.00	73.60	—	—
Sept	72.50	73.60	73.75	72.50
Dec	71.80	72.80	72.80	71.80
Jan	71.80	72.80	—	—
Feb	—	—	—	—
March	71.80	72.80	—	—
April	—	—	—	—
May	71.80	72.80	—	—
July	71.80	72.80	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	101.10	99.71	101.25	100.40
Sept	101.87	100.57	101.90	100.80
Dec	104.40	103.35	104.40	103.70
March	106.35	105.75	106.95	106.00
May	108.52	107.15	108.95	108.00
July	110.82	109.50	110.85	110.00
Sept	111.75	111.02	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	75.40	76.15	77.00	74.80
August	75.00	75.75	—	—
Sept	74.45	75.15	76.10	73.30
Dec	73.50	74.15	75.00	72.80
Jan	73.20	73.85	—	—
March	72.80	73.25	74.20	71.80
May	72.20	72.85	72.10	72.10
July	72.05	72.70	—	—
Sept	71.95	72.60	—	—
Dec	72.10	72.75	71.70	71.70
Jan	72.15	72.80	—	—
March	72.25	72.90	—	—
May	72.40	73.05	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	19.79	20.01	19.95	19.65
Sept	20.16	20.38	20.38	20.10
Dec	20.26	20.38	20.38	20.10
March	20.47	20.65	20.60	20.29
May	20.56	20.74	20.70	20.53
July	20.74	20.93	20.95	20.85
Sept	20.96	21.16	21.16	21.00
Dec	21.25	21.44	—	—

COTTON 50,000 lb, cents/lb

	Latest	Prev	High	Low
July	76.80	77.00	77.75	76.75
Oct	73.30	73.06	73.60	72.85
Dec	72.26	72.05	72.35	71.85
March	72.85	72.70	73.00	72.50
May	73.35	73.00	73.35	72.75
July	74.00	73.60	—	—
Oct	68.00	67.85	68.00	68.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	20.81	20.74	20.87	20.73
Sept	20.41	20.38	20.48	20.35
Oct	20.24	20.24	20.33	20.19
Nov	20.16	20.17	20.25	20.13
Dec	20.16	20.13	20.23	20.11
Jan	20.12	20.09	20.20	20.08
Feb	20.08	20.06	20.12	20.07
March	—	20.04	20.12	20.09
April	20.08	20.02	20.10	20.07

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	444.5	443.6	446.0	446.0
August	446.5	445.1	450.3	443.0
Sept	449.3	448.6	452.0	451.0
Oct	451.9	451.2	455.5	448.0
Dec	457.1	456.4	460.5	453.2
Feb	462.5	461.8	465.5	458.0
April	467.8	467.1	470.0	463.5
May	—	—	—	—
June	—	447.8	—	—
August	479.1	478.3	476.0	476.0
Sept	473.4	—	469.0	469.0
Oct	485.0	484.2	482.8	482.8
Dec	491.1	490.3	491.5	489.0
Feb	497.3	496.5	494.8	494.8

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	54.00	53.86	54.30	53.80
Sept	54.80	54.48	54.90	54.35
Oct	55.40	55.34	55.65	55.20
Nov	56.15	56.14	56.40	56.06
Dec	57.00	56.92	57.30	56.80
Jan	—	—	—	—
March	55.30	55.70	55.90	55.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	132.40	131.75	132.40	131.30
Sept	127.35	126.05	127.30	126.80
Nov	123.30	122.10	123.50	122.50
Jan	122.30	120.45	121.20	120.45
March	122.50	120.85	121.50	120.50
May	122.50	120.85	—	—
July	122.50	120.85	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	567.5	558.7	566.0	554.0
August	—	561.8	—	—
Sept	—	—	—	—
Oct	573.0	564.0	574.5	567.5
Jan	580.0	571.1	580.0	566.0
Feb	—	—	—	—
April	—	578.0	572.5	572.0
July	590.0	585.0	590.0	578.5
Oct	598.0	592.0	598.0	598.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	754.1	747.5	766.0	737.0
August	757.2	750.7	—	—
Sept	772.5	756.0	780.0	742.0
Dec	786.9	770.4	796.0	757.0
Jan	791.6	775.1	—	—
March	801.8	785.1	803.0	782.0
April	—	—	—	—
May	812.0	795.4	804.5	800.0
July	822.6	805.9	822.0	797.0
Sept	833.2	816.4	—	—
Dec	—	—	—	—
Jan	855.5	838.7	—	—
April	—	—	—	—
May	878.9	861.9	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	6.90	6.90	6.96	6.80
Oct	6.94	6.96	6.98	6.87
Jan	7.12	7.15	7.07	7.07
March	7.41	7.38	7.43	7.32
May	7.57	7.52	7.54	7.51
July	7.71	7.65	7.73	7.73
Oct	7.80	7.80	7.80	7.86

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
August	63.70	63.92	63.80	63.42
Oct	62.25	62.37	62.37	62.00
Dec	63.77	63.82	63.80	63.55
Feb	64.42	64.55	64.55	64.35
April	65.10	65.17	65.20	64.95
June	64.42	64.55	64.55	64.40
August	63.70	63.86	63.90	63.70

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
July	61.90	60.92	61.95	60.62
August	56.65	56.17	56.90	55.70
Oct	47.75	47.17	47.90	46.90
Dec	47.45	47.10	47.50	46.85
Feb	45.45	45.27	45.70	45.05
April	42.37	42.20	42.40	42.00
June	43.67	43.85	43.70	43.30
July	43.60	43.45	43.60	43.15
August	41.55	41.72	—	41.17

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	Prev	High	Low
July	168.4	174.6	176.2	168.2
Sept	173.4	179.2	180.0	173.0
Dec	178.2	183.2	183.2	177.2
March	187.2	191.0	191.0	186.0
May	192.4	195.4	195.2	191.2
July	194.4	196.4	196.4	196.0
Sept	191.0	194.4	—	—

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	80.35	78.96	80.95	77.80
August	77.75	75.82	77.80	74.80
Feb	62.30	62.68	62.67	61.35
March	62.00	61.35	62.40	61.15
May	61.80	61.85	62.40	61.50

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
July	538.4	549.6	552.0	536.0
August	535.0	550.0	552.0	533.0
Sept	528.2	547.4	540.0	526.0
Nov	529.4	550.4	550.4	528.0
Jan	538.2	559.0	558.4	536.2
March	545.0	568.0	567.4	545.0
May	553.0	575.0	574.0	563.0
July	565.4	576.0	576.0	565.4
August	560.4	571.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	168.5	173.4	173.5	167.5
August	164.6	169.4	166.5	163.5
Sept	161.3	167.2	167.5	160.5
Oct	159.3	166.6	166.0	159.3
Dec	160.2	166.1	166.5	159.5
Jan	161.0	167.5	167.0	161.0
March	163.7	169.9	169.5	162.5
May	164.0	169.0	168.5	164.0
July	164.0	169.0	169.0	164.0
August	164.5	169.0	164.0	165.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.52	16.87	16.83	16.45
August	16.68	17.03	17.00	16.60
Sept	16.86	17.22	17.18	16.78
Oct	17.00	17.43	17.28	16.95
Dec	17.30	17.69	17.69	17.20
Jan	17.43	17.82	17.78	17.42
March	17.75	18.14	18.10	17.70
May	18.02	18.35	18.25	18.02
July	18.20	18.64	18.20	18.20

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
July	260.4	265.4	266.6	260.4
Sept	269.4	273.4	274.0	268.4
Dec	278.4	282.2	283.2	278.2
March	282.2	285.0	286.0	282.0
May	275.6	279.0	278.6	275.6
July	266.2	266.0	268.0	265.2

SPOT PRICES—Handy and Harman silver bullion 755.00 (734.00) cents per troy ounce. New York tin 305.00-310.00 (306.00-310.00) cents per pound.

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	131.0-131.8	+0.70	132.0-131.0
October	128.5-129.2	—1.15	—
Dec.	129.5-129.2	—0.95	130.5
Feb.	131.0-132.5	+0.20	—
April	132.5-135.8	+1.40	—
June	128.5-130.8	+0.40	—
August	129.0-131.5	—0.50	—

Sales: 60 (227) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $172.00 (£106.60), down $0.40 (same) a tonne for July/August delivery. White sugar $182.20, down $0.60.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	151.0-151.8	152.8-153.4	152.8-151.2
Oct	156.2-156.4	158.4-158.6	158.4-156.0
Dec	158.2-160.8	162.4-165.4	160.4
Mar	165.0-165.8	166.8-166.8	165.8-164.4
May	168.0-169.2	169.4-170.8	168.8
Aug	171.4-172.4	174.0-175.4	—
Oct	175.0-175.4	174.8-175.4	—

Sales: 1,254 (2,375) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £211.00 (——) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 8: Daily price 6.51 (same); 15-day average 6.50 (same).

PARIS—(FFr per tonne): Aug 1113-1115, Oct 1141-1143, Dec 1173-1178, March 1218-1222, May 1248-1257, Aug 1280-1297.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
July	162.00	—0.75	162.50-161.5
Aug	163.00	+0.25	163.25-161.7
Sept	164.75	+0.25	165.50-165.5
Oct	167.50	+0.50	167.75-166.5
Nov	169.50	+0.50	170.50-168.5

Turnover: 3,209 (5,003) lots of 100 tonnes.

طبقاً من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

US bonds hit by dollar

THE DOLLAR suffered from a bout of nervousness yesterday afternoon, on rumours of intervention by the West German Bundesbank. Dealers suggested the rumours were unfounded, but were enough to bring the dollar back to close little changed on the day, except against the weak Japanese yen.

The US currency opened very firm in Europe, after breaking through Y150 against the yen overnight in New York.

Dealers noted that the dollar has strengthened more against the yen than the D-Mark recently, but pointed out that West Germany's payments surplus has continued to rise, while Japan's payments surplus has shrunk.

The D-Mark's value against the yen rose to Y81.71 yesterday, from Y81.38 on Tuesday, and Y77.61 on April 27 when the dollar touched a record low against the yen.

In Tokyo it was suggested the next move by the dollar will be to Y152, and possibly to Y155, as a test of the target ranges dealers believe were set for currencies at the Venice summit.

The US authorities are not expected to look for a weakening of the dollar ahead of the early August US Treasury refunding programme, in the hope of attracting good Japanese demand at the auctions.

A test for the dollar could come next Wednesday however, with publication of the May US trade figures. Japanese economists appear to be looking for significant reduction in the April deficit of $13.3bn, based on the reduction in the May Japanese surplus, but recent forecasts in the US point towards an increase in the US deficit of up to $14.6bn.

The dollar rose to Y150.55 from Y149.70; to DM1.8415 from DM1.8395; to FFr6.1350 from FFr6.1275; but fell to SFr1.5335 from SFr1.5345.

On Bank of England figures the dollar's index was unchanged at 103.0.

STERLING — Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6282. Exchange rate index closed unchanged at 73.0, compared with 68.8 six months ago.

Sterling finished slightly weaker against the dollar, but held on to its recent gains against the D-Mark and yen. There were no new factors, and the pound was on the sidelines.

The most important UK statistic this week will be June retail prices tomorrow, with forecasts generally above the May inflation figure of 4.1 per cent, and ranging up to 4.4 per cent.

Sterling fell 20 points to $1.6175-1.6185, and to SFr 2.4825 from SFr 2.4850, but was unchanged at DM 2.98 and FFr 9.9275, and rose to Y243.50 from Y242.50.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. June average 1.8186. Exchange rate index 146.8 against 145.8 six months ago.

The D-Mark finished slightly weaker against the dollar in Frankfurt, but recovered towards the close on unsubstantiated rumours of Bundesbank intervention, and the failure of the US currency to attack DM 1.85, in spite of its surge against the yen overnight in New York and in Tokyo.

At the Frankfurt fixing the Bundesbank did not intervene when the dollar rose to DM 1.8454 from DM 1.8380. The US currency closed at DM 1.8395, compared with DM 1.8365 on Tuesday.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 213.6 against 207.5 six months ago.

The yen weakened in Tokyo, after the dollar broke through Y150 earlir in New York. The US currency extended its advance to a peak of Y150.80 in Tokyo, before falling back on profits taking, to close at Y150.25.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0705	+1.44	+0.79	±1.5344
Danish Krone	7.85212	7.88331	+0.40	−0.25	±1.6404
German D-Mark	2.05853	2.07701	+0.90	+0.25	±1.0981
French Franc	6.90403	6.91681	+0.19	−0.46	±1.3674
Dutch Guilder	2.31943	2.33793	+0.80	+0.15	±1.5012
Irish Punt	0.768411	0.775158	+0.88	+0.23	±1.6684
Italian Lira	1483.58	1503.19	+1.32	+1.22	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 8	Latest	Previous Close
£ Spot	1.6175-1.6185	1.6160-1.6170
1 month	0.32-0.31 pm	0.32-0.31 pm
3 months	0.85-0.82 pm	0.87-0.85 pm
12 months	2.67-2.57 pm	2.70-2.62 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 8	Previous
8.30 am	73.1	73.1
9.00 am	73.1	73.1
10.00 am	73.1	73.1
11.00 am	73.1	73.0
Noon	73.1	73.0
1.00 pm	73.2	73.0
2.00 pm	73.1	73.1
3.00 pm	73.1	73.0
4.00 pm	73.0	73.0

CURRENCY RATES

July 8	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78572	0.696683
U.S. Dollar	5.5	1.2697	1.12514
Canadian $	7.90	[illegible]	1.48899
Austrian Sch.	4	16.4612	14.6065
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates for July 7; 1.66535

CURRENCY MOVEMENTS

July 8	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 8	£	$
[illegible]	[illegible]	[illegible]
S. Af. (Cm)	3.3040-3.3195	2.0430-2.0470
S. Af. (Fn)	5.2590-5.4360	3.2520-3.3615
Taiwan	50.20-50.45	31.05-31.15
U.A.E.	5.9310-5.9865	3.6725-3.6735

*Selling rate

POUND SPOT—FORWARD AGAINST THE POUND

July 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EURO-CURRENCY INTEREST RATES

July 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 8	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.467	0.755	1.391	113.7	4.634	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.619	2.620	4.826	394.3	16.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US bonds hit by dollar

US TREASURY bond futures fell on the London International Financial Futures Exchange yesterday, as the dollar suffered a nervous reversal on the foreign exchanges, on rumours of intervention by the West German Bundesbank.

US Treasury bonds for September delivery, opened a little stronger at 92-23, and during the morning rose to a peak of 93-00, but showed a rather disappointing reaction to the rise of the dollar above Y150 against the Japanese yen, and soon came back as the rumours, which appeared to be unfounded, hit the market. September bonds were sold down to a low of 91-30, before closing at 92-03, compared with 92-20 on Tuesday.

The dollar's initial improvement was regarded as an encouraging sign for the level of Japanese demand at next month's US Treasury refunding auctions, but dealers commented there are signs of oversupply in the market, with traders not yet having sold all the stock taken on at the last bond auction. Later in the day the pick up in gold and silver prices appeared to hit financial futures.

September gilts opened weaker at 123-07, as traders appeared to take more note of sterling's early decline against the dollar, rather than its improvement against the D-Mark.

This proved to be the low of the day however, and the contract soon recovered to 123-20, but remained locked in a narrow range, on lack of new factors.

It rose to a high of 123-25, as the pound recovered against the dollar and held firm against other major currencies, to close only slightly lower at 123-24, compared with 123-15 perviously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	5.58	6.37	0.10	0.43
120	4.11	5.09	0.27	1.35
122	2.44	3.57	0.60	2.19
124	1.34	2.58	1.50	3.20
126	0.50	2.02	3.02	4.28
128	0.23	1.27	4.39	3.53
130	0.11	0.62	6.27	7.28
132	0.04	0.40	8.20	9.02

Estimated volume total, Calls 1,494 Puts 469
Previous day's open int: Calls 26,800 Puts 16,400

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	8.08	7.41	0.02	0.31
86	6.14	6.01	0.08	0.55
88	4.28	4.37	0.22	1.27
90	2.58	3.23	0.52	2.13
92	1.43	2.24	1.37	3.14
94	0.48	1.39	2.42	4.29
96	0.20	1.05	4.14	5.57
98	0.07	0.42	6.01	7.32

Estimated volume total, Calls 10 Puts 0
Previous day's open int: Calls 1,538 Puts 603

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
23250	7.05	9.36	1.05	3.35
23500	5.26	7.82	1.76	4.32
23750	3.75	6.45	2.75	5.45
24000	2.55	5.25	4.05	6.75
24250	1.64	4.21	5.64	8.21
24500	1.00	3.33	7.50	9.83
24750	0.58	2.59	9.58	11.59
25000	0.31	1.99	11.81	13.49

Estimated volume total, Calls 40 Puts 18
Previous day's open int: Calls 105 Puts 103

LIFFE £/$ OPTIONS

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

	Close	High	Low	Prev.
20-YEAR 12% NOTIONAL GILT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15% NOTIONAL SHORT GILT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
THREE-MONTH STERLING [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 INDEX [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
THREE-MONTH EURODOLLAR [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. TREASURY BONDS 8% [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
U.S. TREASURY BONDS (CBT) 8% [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. TREASURY BILLS (IMM) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC (IMM) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPANESE YEN (IMM) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK (IMM) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
THREE-MONTH EURODOLLAR (IMM) [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STANDARD & POORS 500 INDEX [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	[illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Technical problems

INTEREST RATES were virtually unchanged in dull trading on the London money market. Although the market is reasonably encouraged by the recent performance of the pound, and looks for a cut in bank base rates at some time, no move is expected in the near future.

Three-month interbank was unchanged at $9\frac{3}{32}$-$9\frac{1}{16}$ per cent and 12-month was steady at 9¼-9⅛ per cent.

UK clearing bank base lending rate 9 per cent since May 8

Dealers were more concerned about the larger than expected day-to-day credit shortage, suggesting that delay in reprocessing VAT collections is causing problems at present. This money is expected to find its way into the system at any time.

The Bank of England initially forecast a money market shortage of £700m, but revised this to £650m at noon, and back to £700m in the afternoon. Total help of only £461m was provided.

The authorities did not operate in the market in the morning, raising questions about a possible lack of bills in the hands of the discount houses, after recent heavy sales to the Bank of England.

It also appeared that there were substantial amounts of money on offer, on attractive terms as far as the houses were concerned, in expectation of fairly easy conditions. Houses taking advantage of this before the Bank of England's early forecast were then well placed for the rest of the day, and did not need to find too many bills.

In the afternoon the Bank of England bought £216m bills outright, by way of £61m bank bills in band 1 at 8⅞ per cent. Late assistance of £245m was also provided.

Bills maturing in offical hands repayment of late assistance and at take-up of Treasury bills drained £585m, with a rise in the note circulation absorbing £120m. These outweighted bank balances above target of £20m.

In Frankfurt fears the West German Bundesbank would not fully replace DM 8.1bn draining from the money market, as a securities repurchase agreement expired, proved unfounded.

The Bundesbank accepted bids of DM 11bn at yesterday's tender for a 35-day securities repurchase agreement, at a rate of 3.55 per cent, after setting a minimum bid rate of 3.50 per cent.

But call money remained steady at 3.55 per cent, as the net injection of DM 2.9bn was regarded as the provision of funds to pay for tomorrow's issue of a Federal Government loan stock.

Banks bid for a total of DM 14.4bn at yesterday's tender. The authorities allocated 55 per cent of the bids made at the minimum accepted rate and above in full.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 8) 3 months U.S. dollars		6 months U.S. dollars	
bid [illegible]	offer [illegible]	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	[illegible]	[illegible]
Broker loan rate	[illegible]	[illegible]	[illegible]
Fed. funds	[illegible]	[illegible]	[illegible]
Fed funds at intervention	[illegible]	[illegible]	[illegible]

July 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

July 8	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month [illegible] per cent; three-months [illegible] per cent; Bank Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills; Average tender rate of discount 8.8242 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.960 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987; Bank Deposit Rates for sums at seven days' notice 3-3¼ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8¾ per cent; one-three months 8¾ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9 per cent; Under £100,000 8 per cent from July 8. Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 8 1987					TUESDAY JULY 7 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (96)	140.80	+1.2	129.01	132.46	2.96	139.12	127.32	131.35	141.44	99.92	74.74
Austria (16)	86.24	+0.4	79.02	82.37	2.50	85.89	78.61	81.96	101.62	85.53	85.95
Belgium (48)	126.30	+0.4	115.73	119.14	4.02	125.83	115.16	118.69	126.30	96.19	81.52
Canada (132)	136.49	+1.5	125.06	130.90	2.15	134.43	123.02	128.83	136.49	100.00	96.99
Denmark (39)	115.74	+0.3	106.05	109.72	2.53	115.45	105.66	109.44	124.10	98.18	94.42
France (122)	110.75	+0.7	101.48	106.58	2.65	110.02	100.69	105.75	121.82	98.39	86.38
West Germany (92)	96.78	+0.8	88.68	92.66	2.04	96.05	87.90	91.85	100.33	84.00	80.12
Hong Kong (45)	128.88	+0.5	118.10	129.21	2.80	128.21	117.33	128.53	128.88	96.89	70.42
Ireland (14)	135.36	+0.4	124.03	131.08	3.42	134.76	123.32	130.45	135.36	99.50	92.54
Italy (76)	94.93	+0.7	86.99	94.36	1.92	94.25	86.26	93.73	112.11	94.25	85.11
Japan (458)	130.74	−2.3	119.80	124.42	0.55	133.88	122.52	126.68	161.28	100.00	82.72
Malaysia (36)	176.68	+0.5	161.89	172.75	2.17	175.74	160.83	171.60	176.68	98.24	79.77
Mexico (14)	274.94	+2.1	251.93	410.33	0.55	269.42	246.56	401.50	274.94	99.72	49.76
Netherland (38)	125.84	−0.7	115.30	119.12	3.72	126.69	115.94	119.72	126.69	99.65	89.42
New Zealand (26)	100.22	+1.0	91.83	89.48	3.16	99.26	90.84	88.95	101.22	83.93	71.58
Norway (24)	143.03	+0.7	131.05	130.36	2.09	142.03	129.98	129.50	143.03	100.00	96.41
Singapore (27)	153.53	−0.5	140.68	150.38	1.64	154.34	141.25	150.96	154.34	99.29	76.43
South Africa (61)	165.48	+4.5	151.63	119.60	3.30	158.35	144.92	119.39	186.74	100.00	77.29
Spain (43)	124.66	+1.4	114.23	119.85	3.34	122.97	112.54	118.13	124.66	100.00	83.12
Sweden (33)	117.00	+1.6	107.21	110.90	2.09	115.22	105.44	109.29	124.68	90.85	90.65
Switzerland (53)	97.87	+0.6	89.68	93.04	1.82	97.25	89.00	92.52	104.06	92.01	83.51
United Kingdom (336)	155.47	−0.3	142.45	142.45	3.06	155.98	142.75	142.75	155.98	99.65	99.52
USA (591)	125.82	+0.3	115.29	125.82	2.88	125.50	114.85	125.50	126.68	100.00	101.62
Europe (934)	124.67	+0.1	114.23	117.25	2.77	124.49	113.93	116.97	124.67	99.78	89.88
Pacific Basin (688)	130.99	−2.1	120.02	124.75	0.72	133.80	122.45	126.78	158.77	100.00	82.03
Euro–Pacific (1622)	128.51	−1.2	117.75	121.75	1.52	130.13	119.09	122.85	143.65	100.00	85.13
North America (723)	126.39	+0.3	115.81	126.13	2.84	125.98	115.29	125.71	126.70	100.00	101.37
Europe Ex. UK (598)	105.54	+0.6	96.71	101.46	2.51	104.94	96.04	100.81	107.75	98.02	84.07
Pacific Ex. Japan (230)	134.08	+0.8	122.86	128.59	2.82	132.95	121.67	127.76	134.08	99.92	73.25
World Ex. US (1829)	129.29	−1.1	118.47	122.24	1.57	130.68	119.59	123.21	143.38	100.00	85.43
World Ex. UK (2084)	125.21	−0.6	114.73	121.82	1.95	125.95	115.27	122.33	133.61	100.00	91.05
World Ex. So. Af. (2359)	127.66	−0.6	116.97	123.73	2.06	128.43	117.54	124.22	135.02	100.00	91.85
World Ex. Japan (1962)	126.58	+0.3	115.98	123.38	2.82	126.15	115.44	122.99	126.58	100.00	96.09
The World Index (2420)	127.90	−0.6	117.20	123.73	2.07	128.62	117.71	124.21	135.15	100.00	91.76

Base values: Dec 31, 1986 = 100

Series		Aug 87 Vol.	Last	Nov 87 Vol.	Last	Feb 88 Vol.	Last	Stock
GOLD C	$420	19	31.50	—	—	—	—	$446.40
GOLD C	$460	98	6.50	2	20	—	—	"
GOLD C	$480	170	3.30	161	14	10	23	"
GOLD C	$500	4	1.50	20	10.80	—	—	"
GOLD C	$520	5	0.50	200	5.70	—	—	"
GOLD P	$420	15	2.50A	30	7	20	12	"
GOLD P	$440	14	7.50A	—	—	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$1000	27	150	—	—	—	—	$769
SILVER C	$750	8	45	—	—	—	—	"
		Jul 87		Aug 87		Sep 87		
S/FL C	FL200	1	7.50	12	7.50	20	7.50A	FL207.10
S/FL C	FL205	2182	2.70	20	3.90	12	4.50	"
S/FL C	FL210	3	0.50	2150	1.20	—	—	"
S/FL P	FL200	—	—	—	—	8	1.40	"
S/FL P	FL205	10	0.30	310	1.80	—	—	"
S/FL P	FL210	9	3	1	4.80	—	—	"
		Dec 87		Mar 88		June 88		
S/FL C	FL190	—	—	16	17.30	—	—	FL207.10
S/FL C	FL195	1	12.50	20	12.80A	—	—	"
S/FL C	FL200	34	8.50A	21	9.50	—	—	"
S/FL C	FL205	28	5.70	—	—	—	—	"
S/FL C	FL210	10	4	10	3.50	10	6.10	"
S/FL C	FL215	—	—	6	3.50	22	4.80	"
S/FL P	FL200	4	3.50	20	5.30	—	—	"

Series		July 87 Vol.	Last	Oct 87 Vol.	Last	Jan 88 Vol.	Last	Stock
ABN C	Fl.480	93	3.10	28	16	—	—	Fl.479
AEGON C	Fl.100	130	0.70	175	3.90	80	5.80	Fl.97.60
AEGON P	Fl.95	2	0.40	288	3.50	—	—	"
AHOLD C	Fl.105	30	1.50A	34	4.90	10	7	Fl.103.90
AHOLD C	Fl.104.60	88	1.30	52	5	—	—	"
AHOLD P	Fl.86.40	7	0.10	—	—	—	—	"
AKZO C	Fl.170	3384	2.80	4247	9.60	629	13.40	Fl.168.50
AKZO P	Fl.160	470	0.80	986	3.90	455	5.80	"
AMEV C	Fl.65	32	0.70	52	3.70	78	5.70	Fl.64.50
AMEV P	Fl.70	8	5.50	50	6	—	—	"
AMRO C	Fl.80	68	0.20	170	2.80	201	4.20	Fl.77.20
AMRO P	Fl.70	—	—	40	1.20	200	2.30	"
ELSVIER C	Fl.56	46	1.80	361	4.60	—	—	Fl.56.80
ELSVIER P	Fl.54	—	—	62	2.80	—	—	"
GIST-BROC. C	Fl.50	36	0.40	338	2.20	111	3.40	Fl.47.80
HEINEKEN C	Fl.180	199	3.30	185	9.30	2	13	Fl.182
HEINEKEN P	Fl.160	25	0.10	10	1.30	—	—	"
HOOGOVENS C	Fl.45	719	2.40	417	5.50	43	6.50	Fl.46.90
HOOGOVENS P	Fl.45	23	0.40B	115	2.90	20	3.80	"
KLM C	Fl.55	134	0.30	529	2	162	3.10	Fl.52.40
KLM P	Fl.50	66	0.20	230	2.20	—	—	"
NEDLLOYD P	Fl.130	99	0.70B	222	5.50	29	7	Fl.138.50
NAT.NED. C	Fl.75	131	0.60	191	3.80	215	5.60	Fl.74.30
NAT.NED. P	Fl.80	—	—	11	7.20	185	7.30	"
PHILIPS C	Fl.55	541	0.10	2566	2.10	216	3.30	Fl.51.80
PHILIPS P	Fl.50	115	0.20	240	2	49	2.70	"
ROYAL DUTCH C	Fl.280	1248	8	1290	13.50B	152	17.50	Fl.287.50
ROYAL DUTCH P	Fl.270	10	0.30	560	4.90	31	7.30	"
ROBECO P	Fl.110	5	4	3	4	5	5.50	Fl.106.70
UNILEVER C	Fl.132	580	5.40	281	10	2	13.50A	Fl.137
UNILEVER P	Fl.136	553	0.80B	86	4.90	46	5.60	"

TOTAL VOLUME IN CONTRACTS: 74,744

A=Ask B=Bid C=Call P=Put

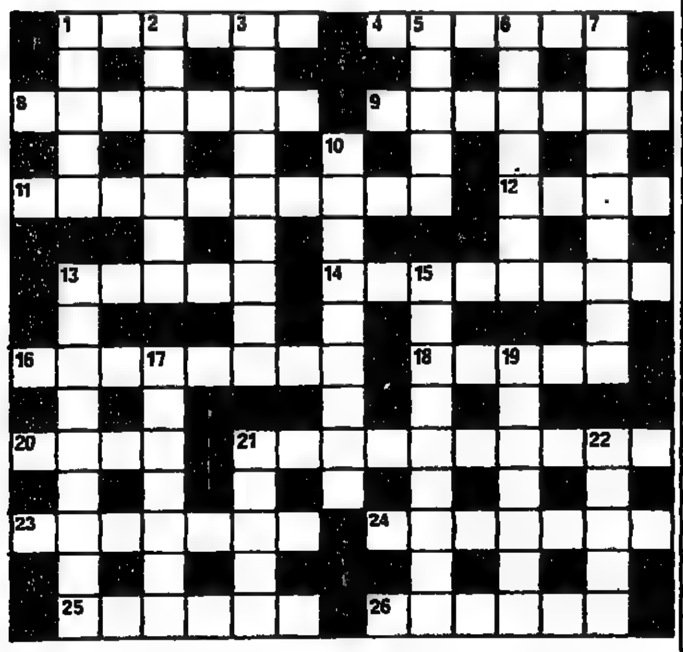
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	– TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Grindlays Bank	9	Unity Trust PLC	9
Bank of India	9	Guinness Mahon	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Beachmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No 6,373

DANTE



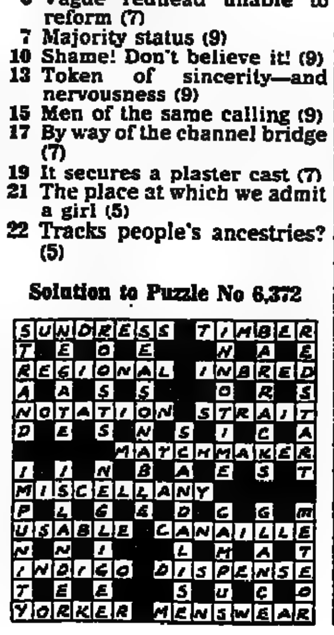
ACROSS

1 He has no choice, poor chap (6)
4 Spanish guard of honour (6)
8 Stretch of river occupied by vessels (7)
9 Having the hump (7)
11 Noise interrupts speech in church ceremony (10)
12 Not quick or not quick enough (4)
13 Handy sort of composer (5)
14 And 2 down: A heavy heart? (6, 2, 7)
16 All things stemming from Eve's ruin (8)
18 Thought a great many were employed (5)
20 Is taken back between a double land mass (4)
21 Holiday firm supplies oysters (10)
23 Showed rank subservience? (7)
24 Like New York's irregular silhouette? (7)
25 One of two, or one in three perhaps (6)
26 Outsize bloomer made by Egyptian god (6)

DOWN

1 He may stand up for another's rights (5)
2 See 14 across
3 He'll be out of place in bar seat (9)
5 Friendly match? (5)
6 Vague redhead unable to reform (7)
7 Majority status (9)
10 Shame! Don't believe it! (9)
13 Token of sincerity—and nervousness (9)
15 Men of the same calling (9)
17 By way of the channel bridge (7)
19 It secures a plaster cast (7)
21 The place at which we admit a girl (5)
22 Tracks people's ancestries? (5)

Solution to Puzzle No 6,372



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الأصل

هكذا صفة الأصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	110.1	116.5	+0.6	0.71
(Accum Units)	115.4	122.1	+0.6	0.71
British Blue Chip Fund	51.7	54.8	+0.1	2.34
(Accum Units)	53.7	56.8	+0.1	2.34
American Sm Cos Fd	52.3	55.3	+0.3	0.45
(Accum Units)	52.3	55.3	+0.3	0.45
American Income	51.9	54.4	+0.3	3.63
(Accum Units)	56.2	59.4	+0.4	3.63
European Growth	145.4	153.8	-0.4	1.23
(Accum Units)	150.5	159.2	-0.4	1.23
European Income	80.1	84.7	-0.1	3.76
(Accum Units)	84.0	88.2	-0.1	3.76
General	388.0	410.5	+3.9	2.42
(Accum Units)	654.4	681.8	+6.3	2.42
Gilt	88.8	97.2xd	+0.0	5.95
(Accum Units)	105.7	106.2xd	+0.0	5.95
Global Fund	49.5	52.3	-0.1	0.70
(Accum Units)	49.5	52.3	-0.1	0.70
High Interest Fund	47.6	50.3xd	+0.1	8.95
(Accum Units)	48.0	50.7	+0.1	8.95
High Income Fund	54.4	57.5	-0.1	4.55
(Accum Units)	54.9	58.0	-0.1	4.55
Income	125.5	132.8xd	+0.0	2.85
(Accum Units)	143.9	152.2	-0.1	2.85
International	290.5	307.4	-1.7	1.36
(Accum Units)	363.6	384.7	-2.1	1.36
Japan	193.9	205.1	-4.3	0.73
(Accum Units)	199.0	210.5	-4.4	0.73
Pacific Fd	55.0	58.1	+0.3	0.10
(Accum Units)	55.0	58.1	+0.3	0.10
Recovery	319.4	337.9	+0.1	1.51
(Accum Units)	347.3	367.5	+0.2	1.51
UK Smaller Co's Fd	54.7	57.8	+0.1	1.92
(Accum Units)	54.7	57.8	+0.1	1.92
Exempt May 27	367.2	376.4	—	3.08
(Accum Units)	575.2	589.9	—	3.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	62.6	66.5	+0.1	4.51
Accum Units	62.6	66.5	+0.1	4.51
UK Growth Fund Acc.	64.3	68.4	-0.1	1.46
Global Income Fund	49.3	52.4	-0.2	3.62
Accum Units	49.3	52.4	-0.2	3.62
Global Growth Fund	45.5	48.5	-0.2	0.52

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Lifeline 0800 010345

Holborn Comm Tst.	80.7	84.8	—	0.36
Holborn Equity Income	74.0	78.3	+0.4	5.29
Holborn Equity Tst.	607.2	642.5	+1.9	2.10
Holborn European Tst.	316.4	323.3xd	+0.1	0.67
Holborn Gilt Tst.	215.9	225.3	+0.7	2.12
Holborn High Inc Tst	89.0	94.1xd	+0.4	4.59
Holborn Intl Grth Tst.	118.0	124.8xd	+0.3	0.7
Holborn Japanese Tst.	122.0	129.0	-3.2	0.04
Holborn N. Amer. Tst.	92.6	97.9	+1.0	0.49
Holborn Sm Cos Tst.	80.7	85.3	+0.4	1.36
Holborn Spec Sits Tst.	104.1	110.1xd	+0.4	1.99
Holborn UK Growth Tst.	120.7	127.3	+0.6	1.47

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	676.4	715.8	—	1.37
Quadrant Income	333.8	353.3xd	—	4.07
Quadrant Intl. Fund	447.5	473.6	—	1.05
Quadrant Spec. Sits	452.0	478.4	—	1.37

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	248.3	264.1	+2.5	2.17
Reliance Unit Tst (Inc)	170.4	181.2	+1.6	1.78
Reliance Ut Tst (Acc)	221.4	243.9	+0.6	1.78

Rossbury Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.5	51.8	-0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	321.6	342.1	—	0.79
NC America (Acc)	355.0	377.6	+4	0.79
NC Inc Fd.	129.7	137.9	—	2.73
NC Japan Fd.	189.9	202.0	-0.9	—
NC Major UK Cos Fd.	74.1	78.8xd	+0.1	1.92
NC Smlr Australasian	88.8	94.4	+0.6	0.49
NC Smlr Canadian CoFd.	48.7	51.8	+0.1	0.98
NC Smaller Cos	243.4	258.9	+1.5	0.88
NC Smaller European	194.2	206.5	—	0.46
NC Prop.*	157.2	171.4	—	(2)

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

[illegible]

Merchant Investors Assurance

[illegible]

Municipal Life Assurance Ltd

[illegible]

NEL Britannia Assce Co Ltd

[illegible]

NEL Pensions Ltd

[illegible]

NM Schroder Life Assurance Ltd

[illegible]

National Mutual Life

[illegible]

National Mutual of Australasia

[illegible]

National Provident Institution

[illegible]

National Provident Inst.—Contd.

[illegible]

NPI Pensions Management Ltd

[illegible]

Norwich Union Asset Management Ltd

[illegible]

Norwich Union Life Insurance Soc.

[illegible]

Pearl Assurance (Unit Funds) Ltd

[illegible]

Phoenix Assurance Co Ltd

[illegible]

Pioneer Mutual Insurance Co Ltd

[illegible]

Premium Life Assurance Co Ltd

[illegible]

Property Equity & Life Ass. Co

[illegible]

Property Growth Assur Co Ltd

[illegible]

Providence Capital Life Assc. Co Ltd

[illegible]

Provident Life Assoc Ltd

[illegible]

Provident Mutual Life Assc. Assn.

[illegible]

Provident Mutual Life Assc.—Cont.

[illegible]

Provincial Life Assurance Co Ltd

[illegible]

Prudential Assurance Co

[illegible]

Prudential Pensions Limited

[illegible]

Regency Life Assurance Co Ltd

[illegible]

Reliance Mutual

[illegible]

Royal Heritage Life Assurance Ltd

[illegible]

Royal Heritage Life Assur.—Contd.

[illegible]

Royal Life Insurance Ltd

[illegible]

Royal Liver Assnce (Life & Pensions)

[illegible]

Save & Prosper Group

[illegible]

Scottish Amicable Investments

[illegible]

Scottish Equitable Life Assce. Soc.

[illegible]

Scottish Life Investments

[illegible]

Scottish Mutual Assurance Society

[illegible]

Scottish Mutual Investments

[illegible]

Scottish Provident Institution

[illegible]

Scottish Widows' Group

[illegible]

Shield Assurance Ltd

[illegible]

Skandia Life Assurance Co Ltd

[illegible]

Skandia Life Assur.—Contd.

[illegible]

Standard Life Assurance Company

[illegible]

Sun Alliance Insurance Group

[illegible]

Sun Life of Canada (UK) Ltd

[illegible]

Sun Life Unit Assurance Ltd

[illegible]

Sun Life Pensions Management Ltd

[illegible]

Swiss Life Pensions Ltd

[illegible]

TSB Life Ltd

[illegible]

Target Life Assurance Co. Ltd.

[illegible]

Target Life Assurance—Contd.

[illegible]

Teachers' Assurance Company Ltd

[illegible]

Transatlantic Life Assur Co Ltd

[illegible]

Trident Life Assurance Co Ltd

[illegible]

Tunbridge Wells Equitable

[illegible]

UK Life Assurance Co Ltd

[illegible]

UK Provident

[illegible]

Vanbrugh Life Assurance

[illegible]

Vanbrugh Pension Limited

[illegible]

Wesleyan & General Assurance Soc.

[illegible]

Windsor Life Assur Co Ltd

[illegible]

O'Halloran & Co/Countrywide

[illegible]

PER Fund Management Ltd

[illegible]

The Porchester Group

[illegible]

Sharp (Albert E) & Co

[illegible]

Towry Law & Co

[illegible]

University Medical General Ltd

[illegible]

J. D. Ward & Co Ltd

[illegible]

Yorkshire & Lancashire Investment Mgt.

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

[illegible]

Aetna International Assurance (Bermuda) Ltd

[illegible]

Albany Fund Management Limited

[illegible]

Alexanders Rouse (Bermuda) Ltd

[illegible]

Alliance Capital Management Intl. Inc.

[illegible]

Allied Dunbar International Fund Mgrs.

[illegible]

Allied Irish Fund Managers (CI) Ltd

[illegible]

Anglo-Swiss Asset Management Ltd

[illegible]

Asset Global Funds Ltd

[illegible]

BAII Multicurrency (SICAV)

[illegible]

BIA Bond Investments AG

[illegible]

BNP Inv Mgmt (Jersey) Ltd

[illegible]

Julius Baer Bank & Trust Co Ltd

[illegible]

Banque Scandinave

[illegible]

Barclays Unicorn International

[illegible]

Baring Fund Managers (Guernsey) Ltd

[illegible]

Baring International Group

[illegible]

Barrington Mgmt (CI)—Barrington Fd

[illegible]

Bermuda Intl Invest Mgmt Ltd

[illegible]

Bishopsgate Commodity Ser. Ltd

[illegible]

Brazil Capital Services Ltd

[illegible]

Bridge Management Guernsey Ltd

[illegible]

Bridge Management Ltd

[illegible]

Bridge Singapore Asset Mngmnt Ltd

[illegible]

Brown Shipley Fund Mgmt (CI) Ltd

[illegible]

Butterfield Management Co Ltd

[illegible]

CAL Investments (IoM) Ltd

[illegible]

CMI Financial Mngmt Services Ltd

[illegible]

CRC Asset Management Limited

[illegible]

Capital International

[illegible]

Cater Allen Investment Management (CI)

[illegible]

Charterhouse Bank

[illegible]

Charterhouse Fund Mngt. (C.I.) Ltd

[illegible]

Citibank (CI) Ltd "CitiFunds"

[illegible]

Cortex International

[illegible]

Credit Suisse

[illegible]

Creditanstalt Asset Mngmt Ltd

[illegible]

DWS Deutsche Ges. F. Wertpapiersp

[illegible]

Daiwa Investment Trust Co Ltd

[illegible]

Delta Group

[illegible]

Deutscher Investment-Trust

[illegible]

Drexel Burnham Lambert

[illegible]

Dreyfus Intercontinental Inv. Fd.

[illegible]

Duncan Lawrie Inv. Mgt. Ltd

[illegible]

Dunedin Unit Trust Mgrs (Bermuda) Ltd

[illegible]

Dunn & Hargitt Group

[illegible]

EBC Trust Company (Jersey) Ltd

[illegible]

Elders (Switzerland) Invest. Mngt. SA

[illegible]

Equitilink International Mngt Ltd

[illegible]

Equity International Management Serv's Ltd

[illegible]

Equity & Law International Fund Mgrs Ltd

[illegible]

Equity & Law International Life Assur Co Ltd

[illegible]

Ermitage Management Ltd

[illegible]

Ermitage Management Cayman Ltd

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
	100	Treas. 12pc 1987	100	.....	11.90	9.04
	97	Treas 7¼pc 1985-88‡‡	99		7.77	8.32
	99	Exch 10½pc '88	101		10.39	9.05
	98	Treas 9¾pc Cv '88	100	.....	9.69	9.03
	93	Transport 3pc '78-88	96		3.10	6.53
	98	Treas. 9½pc '88	100	.....	9.46	9.06
	101	Treas 11½pc 1989	103	.....	11.11	9.10
	97	Treas 9½pc Cnv 1989	100	.....	9.44	9.06
	89	Treas 3pc 1989	93		3.19	6.50
	99	Treas 10½pc 1989	102	.....	10.25	9.09
	98½	Exch.10pc 1989	101		9.84	9.11
	100	Exch 11pc 1989	103	.....	10.63	9.16
	89	Treas 5pc 1986-89	94		5.28	7.53
	100	Exch 10¼pcCv '89	104		9.78	7.93
	105	Treas 13pc 1990‡‡	108		11.97	9.06
	100	Exch 11pc 1990‡‡	104		10.55	9.08
	104	Exch. 12½pc 1990	107		11.59	9.12
	84½	Treas. 3pc 1990	91		3.30	6.55
	93	Treas 8¼pc 1987-90‡‡	99	.....	8.33	8.61
	97½	Treas. 10pcCv 1990	102	.....	9.77	9.14
	81	Exch 2½pc 1990	88½		2.83	6.34
	103	Treas 11¾pc 1991	107	.....	10.91	9.10
	87¼	Funding 5¾pc '87-91‡‡	93		6.15	7.80
	80¼	Treas. 3pc 1991	87		3.41	6.60
	100	Treas 10pc Cv '91 ‡‡	105		9.46	8.29
	101	Exch. 11pc 1991	106½		10.33	9.12
	108	Treas 12¾pc 1992‡‡	113		11.25	9.08
	97	Treas 10pc 1992	103		9.68	9.09
	95	Treas. 8pc 1992 ‡‡	96		8.15	8.47
	99	Treas 10½pc Cv 1992‡‡	105		9.98	9.08
		Five to Fifteen Years				
	106	Exch. 12¼pc '92	112		10.91	9.19
	111	Exch 13½pc 1992	117		11.50	9.19
	97	Treas 10pc 1993‡‡	104		9.61	9.06
	108	Treas 12½pc 1993‡‡	115		10.85	9.14
	82¼	Funding 6pc 1993‡‡	92	.....	6.52	7.63
	114	Treas 13¾pc 1993‡‡	121		11.33	9.22
	119	Treas 14½pc 1994‡‡	125		11.54	9.22
	113	Exch 13½pc 1994 ‡‡	120		11.20	9.34
	97	Treas. 10pc Ln. 1994	104		9.56	9.08
	109	Exch. 12½pc 1994	116		10.75	9.30
	92	Treas 9pc 1994‡‡	100		8.99	8.96
	107	Treas 12pc 1995	114		10.47	9.24
	76	Exch 3pc Gas 90-95	[illegible]		[illegible]	6.01

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53	....	3.50	6.60
50	40	Do. 6pc 28 Stb. Ass.	50	...	3	6.00
47	45	Do 4pc Mixed Ass.	47	.....	2	4.25
65	58	Hung. '24 Ass.	63	–1	2.75	4.37
146½	122	Hydro Quebec 15pc 2011	140		15.00	10.39
94	83	Iceland 6½pc '83-88	90	..	—	—
136¼	115½	Do. 14½pc Ln. 2016	129	.....	14.50	11.04
103	94	Ireland 9¾pc '91-96	100	+	9.75	9.54
98	93	Japan 6% '83-88	94	....	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
41	32	Abbott Laboratories	38	+	$1.00	—	1.6
17	11	Ahmanson (H.F.)	13	.....	88c	—	4.2
35	24	Alcoa $1	35	+1	$1.20	—	2.1
18	15	Allegheny & W $0.01	17	....			
14	8	Amax $1	14	+	—	—	—
25	17	Amdahl 5c	22½	–	20c	—	0.5
33	25½	Amer. Cyanamid $5	31	+	$1.90	—	3.8
25	18	Amer. Express $0.60	23	–	$1.44	—	4.2
12	10	Amer. Medical Int. $1	12	–	72c	—	3.8
38	14	American T. & T. $1	17	+	$1.20	—	4.1
63	46	Ameritech $1	53	+	$4.72	—	5.4

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30½	22¾	Sara Lee $1	27¾xd	+⅛	$1.00	—	2.2
11 1/16	8⅞	Saul (B. F.) $1	10⅝xd	+⅛	20c	—	1.2
26¼	19⅞	Southwestern Bell $1	23⅝xd	+¼	h$2.32	—	6.0
18¾	14¼	Staley Continental	17⅝	−¼	80c	—	2.8
44¾	36¾	Sun Co. Inc. $1	41½xd	+¾	$3.00	—	4.4
37	28½	TRW Inc. $1¼	33	−⅛	b$1.60	—	3.0
32	25⅞	Tenneco $5	31 1/16	+⅜	$3.04	—	6.0
187½	149½	Do. 10pcLn.Stk. 91-5	187½xd	.....	10%	—	5.5
27 3/16	17 3/16	Texaco $6.25	27 3/16xd	+1/16	$3.00	—	6.7
61⅞	47⅛	Time Inc. $1	61 1/16	+1 1/16	$1.00	—	1.0
14⅓	11	Tracor $0.33	12⅛	.....	40c	—	2.0
26⅝	18⅞	Transamerica $1	25⅞xd	+⅝	$1.76	—	4.2
12⅛	922p	Transworld Corp $5	11⅛	.....	20c	—	1.1
46	29⅛	TRINOVA Corp.	42⅛	+⅛	h$1.00	—	1.4
21⅝	15 1/16	♥USX $1	21⅝	+1⅞	$1.20	—	3.4
19⅝	15 3/16	Union Carbide $1	18⅝	+1/16	$1.50	—	4.9
35 3/16	26⅞	Utd. Technologies	33⅛	+⅝	$1.40	—	2.6
38⅝	27	US West	32⅞	+½	$3.28	—	6.1
25	17⅛	Waste Management $1	25⅛	+¼	—	—	—
£22¼	£20½	Whirlpool $1 0	£22⅛	...	—	—	—
35⅛	26	♥Woolworth $3½	32 13/16	+⅛	$1.32	—	2.5

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	21p	...	—	—	—
12⅝	506p	♥Amer. Barrick Res.	11xc	−⅛	—	—	—
122p	52p	Armeno	75p	.....	—	—	—
19⅝	14⅝	Bk. Montreal ‖	16⅛	+⅛	$2.00	—	5.7
10⅛	745p	Bk. Nova Scot.‖	842pxd	+4	72c	—	3.9
20⅝	18	BCE ‖	19⅞	.....	$2.40	—	5.6
96Cp	712p	♥Bow Valley‖	936p	+16	40c	—	2.0
19¼	12⅝	♥Brascan‖	17⅞	+½	88c	—	2.3
609p	277p	♥Breakwater Res.	398p	+8	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

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LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
374	305	PWS Holdings 10p	371	-1	†9.25	2.9	3.4	13.9
422	316	Pearl Group 5p	399	-4	10.5	—	3.6	—
*£11¼	804	Prudential	£11⅛	-⅛	29.0	—	3.6	—
558	433	Refuge 5p	553	-3	15.75	—	3.9	—
536	423	Royal	512	-21	f15.5	—	4.1	—
*344	274	Sedgwick Group 10p	309	-6	12.0	1.7	5.5	13.2
339	207	Steel Burrill J.10p	327	-6	9.0	2.0	3.8	18.2
623	403	Stewart Wr. 20p	615	+2	13.0	2.0	2.9	21.8
573	377	Sturge Hldgs 20p	573	+10	†16.0	2.5	1.4	37.4
£10½	645	Sun Alliance	£10¼	-¼	23.5	—	3.2	—
£12⅝	929	Sun Life 5p	£12⅜	.....	28.5	—	3.2	—
£69½	£39	♦Taisho M EDR	£43½	-3½	Q20%	—	1.0	—
£21¼	£14⅝	Torchmark $1.00	£17½	+¼	Q60c	—	2.1	—
375	235	Trade Indemnity	360	.....	4.3	—	1.6	—
£34	£24¾	Travelers $1.25	£28⅛	+⅛	$2.28	—	5.0	—
£32½	£20⅝	USLIFE Corp. $1.0	£23⅝	+⅛	Q$1.20	3.2	3.1	5.2
725	355	♦Utd Friendly B 10p	723	+5	21.0	—	4.0	—
464	367½	Willis Faber 12½p	428	-2	10.75	1.9	3.5	21.0
89	41	♦Windsor Secs. 10p	68	-2	†0.7	1.5	1.4	62.7

LEISURE

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
26	11½	♦A & M Group 10p	22½	-2	0.4	2.0	2.4	28.1
83½	69	A-R TV Pref. £1	80	.....	5.95	48.1	12.2	—
242	189	Airtours 10p	236	-2	R5.4	2.5	3.2	17.2
*549	302	Anglia TV	430xd	-9	†g11.25	3.3	3.5	12.2
184	108	♦Aspinall Hldgs. 10p	155	-1	6.0	1.2	5.3	21.2
141	63	♦Avesco 1p	120xr	.....	0.5	6.7	0.6	33.9
65	40	♦BCE Hldgs 5p	57½	-1½	Rd1.0	3.0	2.4	19.1
255	132	Barr & W.A.T. 'A'	245	.....	8.0	1.4	4.5	20.0
58	19	Beat Media	42	.....	—	—	—	—
225	165	Boosey & Hawkes	225	.....	—	—	—	—
83	45	♦Border T.V.	60	.....	†b2.5	3.2	5.7	15.1
*388	79½	Brent Walker 10p	358	-3	9.5	2.2	3.8	17.3
*292	110	Campari Int. 20p	284	-5	3.0	5.1	1.4	14.5
278	211	Castle Comms. 5p	273	-3	7.0	2.2	3.6	17.4

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
83	78	Amercoeur Energy 10p	83	.....	—	—	—	—
15½	9	Ardmore Pet. 'A'	12	+½	—	—	—	—
80	45	Catalyst Comms. 5p	76	-2	—	—	—	31.6
200	168	Chelsea Artisans 5p	173	.....	—	—	—	23.2
151	47	Corton Beach 10p	123	-10	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	185	.....	—	—	—	—
270	102	Edenspring Investment	268	+5	—	—	—	—
*62	18	Eglinton Oil Ir.5p	26	.....	—	—	—	—
41	17	Do. Warrants	19	.....	—	—	—	—
80	37	Publishing Hldgs.5p	68	-5	—	—	—	39.4
79	45½	Theme Holdings	79	+3	1.0	♦	1.7	♦
140	111	Unit Group	140¢	.....	R4.6	2.5	4.5	(10.0)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	88	.....
Craig & Rose £1	£184xd	.....
Finlay Pkg. 5p	127	-3
Holt (Jos) 25p	975	.....
Iold Stm. £1	125	.....
IRISH		
Fund 11¼% 1988	£100½	.....
Nat. 9¾% 84/89	£98½	.....
Fin. 13% 97/02	£110¾	.....
Arnotts	345	+5
CPI Hldgs	58	.....
Carrol Inds.	165xd	+2
Dublin Gas	18	.....
Hall (R. & H.)	112	.....
Helton Hldgs.	40	-1
Irish Ropes	170	.....
Unidare	410	+10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	20
BAT	55
BOC Grp.	45
BSR	17
BTR	30
Babcock	19
Barclays	52
Beecham	50
Blue Circle	50
Boots	25
Bowaters	50
Brit Aerospace	55
Brit. Telecom	32
Burton Ord	35
Cadburys	22
Charter Cons.	40
Comm Union	30
Courtaulds	45
FNFC	30
Gen Accident	95
GEC	24
Glaxo	200
Grand Met	55
GUS 'A'	175
Guardian	90
GKN	30
Hanson Tst.	15
Hawker Sidd	50
ICI	125
Jaguar	52
Ladbroke	40
Legal & Gen	32
Lex Service	45
Lloyds Bank	50
Lucas Inds.	62
Marks & Spencer	22
Midland Bk	55
Morgan Grenfell	35
NEI	12
Nat West Bk	65
P & O Dfd	65
Plessey	22
Polly Peck	28
Racal Elect	24
RHM	30
Rank Org Ord	70
Reed Intnl	45
STC	30
Sears	15
TI	34
TSB	10
Tesco	55
Thorn EMI	70
Trust Houses	24
Turner Newall	28
Unilever	300
Vickers	20
Wellcome	42
Property	
Brit Land	25
Land Securities	45
MEPC	42
Peachey	45
Oils	
Brit Petroleum	32
Britoil	32
Burmah Oil	45
Charterhall	6
Premier	11
Shell	110
Tricentrol	11
Ultramar	24
Mines	
Cons Gold	95
Lonrho	26
Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* New time dealings may take place from 9.00 am two business days earlier.

Technical sell-off leaves equities lower while Gilt-edged firm in thin trade

The UK stock market ran into a not-unexpecter technical correction as the domestic institutions began to shy away from the list of rights issues and cash calls, which was topped up yesterday by the pricing for the BAA issue, capitalised at £1.2bn.

The blue chip stocks tried to extend their gains at first but were soon overborne by weakness in bank shares in the wake of generally adverse comments from City analysts on Midland Bank's rights issue plans.

At the close, the FT-SE 100 index was 8.5 off at 2356.9, having reversed a mid-morning gain of 10.5 points. The FT Ordinary Index at 1827.2 shed 9.5. The market steadied at the end of the day, with Mercantile House a strong feature among financial services, after the board confirmed an "approach" which could lead to a bid.

The check to equities, which accompanied a lacklustre session in gilts, was no great surprise to the market professionals. Amanda Sells, technical analyst at Chase Manhattan Securities, commented that yesterday's performance, which kept the market's technical indicators belw the "sell" signal, was "quite encouraging. Another up-day would have left the market seriously overbought."

The overnight strength of Wall Street helped oil shares initially, but gains in British Petroleum and Shell melted away later, despite the continued optimism surrounding oil price prospects.

Glaxo continued to advance strongly as Goldman Sachs, the US investment banker and trading house, bought the stock heavily in London, on the back of heavy activity in the shares in New York. Fisons was also firmer, on rumours that another US house was taking a favourable view. Imperial Chemical Industries and Jaguar continued to feature among the exporting stocks.

However, with a successful trading account now drawing to its close, profits were taken in the insurance stocks, as well as in some of the more speculative industrial issues. The exception, however, was the UK housebuilding sector, where Redland, Tarmac and RMC found buyers.

Government bonds continued to edge higher in thin trading, to close with gains of ¼ or so. Dealers commented that, although sterling remained firm, blsiness in gilts came mostly from the professionals, who covered short positions opened up earlier in the week.

Also helping bond prices was the absence of an official tap stock, following exhaustion of the remaining taplet issue on Wednesday. Traders will wait to see whether the authorities issue a new stock on Friday afternoon before taking up new positions.

Midland Bank shares slumped 26 to 628p following the poor Press reception given to the third world debt provision, the £700m rights issues and sale of the Clydesdale and Northern Banks. Other clearing banks were quick to follow with Lloyds finally 13 down at 375p and NatWest 7 off at 722p. Barclays held around 608p.

British Gas shares moved up strongly as Japanese houses moved in as aggressive buyers of the stock which was given a "buy" recommendation by Chase Manhattan Securities yesterday; the shares closed a net 4½ up at 191p after a turnover of more than 52m shares.

Trafalgar House, the holding company with interests ranging from civil engineering to energy exploration, held firm at 407p up 6 despite the sale by the Kuwaiti Investment Office of its remaining stake in the company.

The sale, which amounted to 17.65m shares, was put through the market by Hoare Govett, the broking arm of Security Pacific of the US, at 396p per share.

Money broker/financial services group Mercantile House spurted 77 to 485p after 490p as the board announced it had received an offer which may lead to a bid for the company. John Gunn's British & Commonwealth group was the market's initial favourite to bid for the company.

Away from the big four clearers and Mercantile House the bank sector showed Standard Chartered 14 off at 764p; the year's ban on Lloyds launching another bid for the bank runs out at the end of the week. Royal Bank of Scotland, ran into profit-taking and slipped 13 to 386p.

Merchant banks showed Kleinwort Benson 14 higher at 565p and Schroders ⅛ up at £12¾ on bid speculation. Hambros edged up 2 to 314p following the link up with Banco de Bilbao which has taken a 5.15 per cent stake. Wintrust added 15 to 495p in the wake of the good results.

A market share comment service's recommendation prompted good support for FNFC which jumped 14 to 350p.

Life insurances drifted easier on profit-taking but traders expect activity in the sector to pick up significantly next week when the companies announce their interim new business estimates.

Market newcomer ITL Information Services, the Hemel Hempstead-based mini computer group whose shares were placed at 105p by broker Phillips & Drew, opened at 127p and subsequently eased to end the session at 121p.

Caradon Group, which made its debut last week after an offer for sale at 250p a share, soared 17 more to 354p as the rest of the building products and supplies sector raced higher.

FINANCIAL TIMES STOCK INDICES

	July 8	July 7	July 6	July 3	July 2	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.72	90.66	90.45	90.03	90.10	90.66	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.26	97.25	97.28	97.13	97.13	97.16	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1827.2	1836.7	1830.8	1818.5	1794.6	1331.5	1,836.78 (7/7)	1,320.2 (2/1)	1,836.7 (7/7/87)	49.4 (26/6/40)
Gold Mines	391.8	386.8	376.2	378.9	385.7	202.4	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.13	3.12	3.14	3.17	3.20	4.15				
Earnings Yld.%(full)	7.52	7.52	7.56	7.62	7.70	9.95				
P/E Ratio (net) (*)	16.40	16.41	16.32	16.19	16.01	12.24				
SEAQ Bargains (5 pm)	51,118	56,094	60,584	49,904	44,325	—				
Equity Turnover (£m)	—	1749.32	1,419.53	1711.27	1675.95	611.33				
Equity Bargains	—	66,294	57,232	56,554	52,663	23,552				
Shares Traded (ml)	—	—	—	748.7	609.5	237.3				

S.E. ACTIVITY

Indices	July 7	July 6
Gilt Edged Bargains	136.8	113.4
Equity Bargains	429.6	370.8
Equity Value	3535.8	2869.2
5-Day Average		
Gilt Edged Bargains	114.1	111.5
Equity Bargains	364.0	347.0
Equity Value	3124.2	3028.9

♥ Opening 1839.0; 10 a.m. 1839.2; 11 a.m. 1841.0; Noon 1838.9; 1 p.m. 1838.2; 2 p.m. 1833.5; 3 p.m. 1830.1; 4 p.m. 1827.1

Day's High 1842.5 Day's Low 1824.5. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.07.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Breweries, one of the brighter sectors of the market on Tuesday, gave ground on a defensive markdown. The chairman's statement at the annual meeting failed to inspire Allied-Lyons which settled 13 off at 444p, while similar losses were sustained by Guinness, 361p, and Whitbread A, 370p. In contrast, Greenhall Whitley found occasional support to advance 6 to 254p; the shares, neglected of late, were helped by vague chatter that a number of parties are interested in Greenall's hotel operation.

The prospects for inner city renovation and the buoyant construction and new house-building markets triggered another widespread surge by building issues where recent buying interest left the market short of stock.

BB & EA featured with a 20 jump to a 1987 high of 280p following the return to profits in the past year. Brickmaker Ibstock Johnsen raced up 28 to 197p on takeover talk while builders showed Tarmac 12 up at 308p, Costain another 5 higher at 340p, John Mowlem 7 better at 505p and Taylor Woodrow 3 harder at 513p.

Sears, the department store to bookmaking group, again led the way in otherwise uninspired leading Stores, rising 3 to 171¼p as 19m shares changed hands amid escalating takeover speculation. W. H. Smith A were again in favour on the London distribution deal and rose 5 for a two-day advance of 16 at 394p. John Menzies hardened 6 to 480p in sympathy. Secondary issues showed some extremely divergent movements. Aspreys, the jeweller, already a firm market earlier this week, spurted another 125 to 960p reflecting the increased preliminary results and proposed 2-for-1 scrip issue. Asset value situations met revived demand with Lanca 24 dearer at 138p, and Acsis 35 up at 428p. A Press mention aided Etam, finally 14 to the good at 312p, while further thoughts on the annual results lifted Pepe 10 to 315p. Profit-taking left Underwoods 15 down at 199p, and Martin Ford 7 lower at 176p, but Hellas rose 4 to 76p after announcing full-year figures in excess of market estimates.

Electricals were featured by a jump of 150p to 630p in George H. Scholes which left the share price way above the share exchange or cash alternative offer of 550p from Delta. The latter gave up 13 to 306p. Fletcher Dennys, in contrast, dipped 19 to 76p on the passing of the final dividend and annual deficit.

Trading statements prompted several good gains in the Engineering sector, with Wagon Industrial rising 13 to 418p and Birmingham Mint 10 to 271p in response to the respective preliminary figures. Following the sale of Evered's stake at 46¾p, well above the Arab consortium bid of 43p per share, CI Group moved ahead smartly to close 7½ dearer at 54¾p. In contrast, Rolls-Royce came on offer and closed 5 down at 122p in a volume of some 5.4m shares.

Leading Food Retailers remained mixed. ASDA-MFI firmed 4 to 194p amid revived speculation that the sale of its MFI division was imminent; some market makers, however, treated the rumours with a certain amount of scepticism. Wood Mackenzie stated yesterday that the "trading outlook at MFI remains very dull."

Manufacturers featured Rowntree Mackintosh; down to 562p at one stage, the shares encountered persistent support amid strong talk of a broker's rerating and subsequently advanced to settle 8 dearer on balance a 574p. Christian Salveson hardened a few pence to 179p on news of the sponsored ADR facility in the US.

Hotels failed to capitalise on Tuesday's interest, and gave ground across the board. Trusthouse Forte, for instance, dipped 7 to 273½p, while Grand Metropolitan fell 10 to 566p. Norfolk Capital closed a couple of pence lower at 42p as the Kuwait Investment Office sold 43.5m shares, representing 14.2 per cent of Norfolk's equity through James Capel at 39½p apiece.

With the exception of Glaxo, which put on ⅜ more to £17¾ in the wake of overnight demand in the US, leading miscellaneous industrials closed little altered on the day.

Elsewhere, further consideration of the preliminary results prompted a fresh gain of 16 to 429p in AAH, but Granada remained on offer after the interim figures and gave up 7 further to 353p. Oakwood continued strongly at 760p, up 25, following the recent consortium bid, while Associated British Ports, still reflecting its property development potential, continued to make hadway and put on 23 further to 673p. Plastic Construction gained 6 to 132p on the recommended offer from Glynwed, but Neil and Spencer, still reflecting the annual deficit, met with renewed offerings and gave up 7 more to 18p. British Airways were actively traded (some 9.1m shares changed hands) before settling 6 to the good at 165p. Bowater, still reflecting recent comment on expansion prospects, gained 15 more to 585p, while satisfactory interim figures left Southern Businesses 6 to the good at 323p.

Motor Distributors, buoyed recently by reports of extremely encouraging new car sales and the prospect of bumper profits emanating from the forthcoming E prefix, enjoyed another lively session. Double-figure gains were noted for Keep Trust, 417p, William Jacks, 81p, and Godfrey Davis, 201p, while H. & J. Quick put on 7 to 310p. The day's major development, however, was the announcement that Woodchester, the Irish domiciled business equipment and vehicle leasing group, had agreed to acquire some 2.31m shares in Lookers, the Manchester-based dealer, finally 15 up on balance at 450p, after 478p. The stake, representing 28.4 per cent of Lookers' equity was acquired from Lloyds Bowmaker and Lloyds Merchant Bank at 465p per share. Woodchester advanced 22 to 760p. T. Cowie, recently regarded as a likely suitor for Lookers and still holding just under 15 per cent of the capital, rose another 43 to 832p.

In Properties Fletcher King jumped 19 more to 270p on the bumper profits which exceeded the prospectus forecast by 10 per cent.

Selective support was forthcoming for Textiles shares, with Textured Jersey featuring a fresh gain of 44 more to 238p in the wake of further demand on recovery hopes. S. Lyles gained 13 to 145p and interest revived in Lister which put on 8 to 225p.

Oils turned back after a firm start to the day. BP initially improved to a year's best of 418p following publicity given to Kleinwort Grieveson's upgraded profits forecast for the group, but later fell away to close 2 off at 407p. Enterprise, strongly supported by BZW and Smith New Court, touched 335p before closing a net 14 up at 331p. Contibel jumped 17 to 318p following the increased and final 315p a share cash offer from Tractebel and GBL.

Traded options

Demand for traded continued to climb with 67,356 contracts transacted yesterday — 44,955 calls and 22,401 puts. The increased activity owned much to Sears which recorded 7,456 calls and 8,337 puts, 8,040 of which were done in the September 180's, reflecting further hedging against the bid chatter currently surrounding the group. British Gas attracted 11,338 calls — just under half of which were done in the October 200's. Dealers also reported lively turnover in British Airways, British Telecom and Marks and Spencer.

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 8
- For Settlement Oct 19

For rate indications see end of London Share Service

Stocks dealt in for the call included Bryant Holdings, Ryan Hotels, Widney, UTC, Rotaprint, Barham Group, Inoco, Hill Samuel, Charterhall, WA Holdings, Brooke Tool, Fergabrook, Property Trust, Dunton, Pavion, British Telecom, Associated British Engineering, Benlox, Stormguard, Hey and Croft, Benjamin Priest, Willaire, Bula Resources, Hawthorn Leslie, Amstrad, Ashley Industrial Trust, Telephone Rentals, Prism Leisure and Highland Distilleries. Puts were arranged in UTC, Ashley Industrial Trust and Rotaprint, while double options were transacted in Hill Samuel, Sears, Bridon, Dares Estates, Eagle Trust, Norfolk Capital, Astra Industrial, Abaco and S. W. Wood.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (305)

AMERICANS (6), CANADIANS (3), BANKS (6), BREWERS (1), BUILDINGS (25), CHEMICALS (4), STORES (11), ELECTRICALS (24), ENGINEERING (15), FOODS (6), HOTELS (1), INDUSTRIALS (43), INSURANCE (4), LEISURE (8), MOTORS (6), NEWSPAPERS (3), PAPERS (9), PROPERTY (11), SHIPPING (2), SOUTH AFRICANS (1), TEXTILES (7), TRUSTS (60), OILS (16), OVERSEAS TRADERS (4), PLANTATIONS (4), MINES (4), THIRD MARKET (1).

NEW LOWS (3)

STORES (1), Cantors, ELECTRICALS (2), Microlease, Toshiba.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	10,000	194	+4	Jaguar	2,500	562	+12
Allied Lyons	2,200	444	−13	Ladbroke	1,800	444	+1
Amstrad	1,600	178	−1	Land Securities	2,000	549	+3
Argyll Group	1,200	458	−5	Legal & Gen.	1,600	369	−8
Assoc. Brit. Foods	1,000	397	−9	Lloyds Bank	3,000	375	−13
BAT	3,700	649	+4	Lonrho	1,900	286	−½
BET	921	290	+1	MEPC	792	537½	−7½
BOC	1,100	530	−2	Marks & Spencer	2,500	251½	−2
BPB Inds	495	823	+3	Midland Bank	3,500	628	−26
BPCC	450	525	—	NatWest Bank	999	722	−7
BTR	2,900	330	−1	Next	1,800	352	−3
Barclays	1,900	608	−1	Pearson	624	740	−15
Bass	291	£10⅞	−⅛	P & O	420	745	−5
Beecham	3,400	552	+2	Pilkington Bros	1,100	£10⅝	—
Blue Circle	1,300	522	+1	Plessey	6,300	224	+1½
Boots	3,700	307	+1	Prudential	644	£11⅛	−⅛
Brit. Airways	8,600	165	+6	Racal	2,300	279	−6
Brit. Aero	2,800	550	+3	Rank Org	1,300	775	−14
Brit. & Comm.	264	514	−5	RHM	486	333	−1
British Gas	47,500	191	+4½	Reckitt & Col	501	£12⅛	+⅛
Britoil	2,300	395	−4	Redland	1,800	568	+17
BP	9,100	407	−2	Reed Intl.	1,200	545	−4
Brit. Telecom	6,100	289	−6	Reuters	700	872	+5
Bunzl	184	261	−2	RMC	200	507	+12
Burton	3,700	329	−5	RTZ	1,500	£11½	+⅛
Cable & Wire	8,000	401	+11	Rolls-Royce	4,100	122	−5
Cadbury Schwps	1,300	269	−4	Rowntree	1,000	574	+8
Coats Viyella	183	344	−3	Ryl Bank Scotland	1,400	386	−13
Comm. Union	940	371	−6½	Royal Insurance	1,300	512	−21
Cons. Gold	1,600	£10⅛	+⅛	STC	4,500	317½	−6½
Cookson	735	773	+11	Saatchi & Saatchi	252	679	—
Courtaulds	785	497	—	Sainsbury	989	285	−4
Dee Corpn	922	247	+2	Scott & Newcastle	564	251	−6
Dixons Group	1,200	380	−4	Sears	18,000	171¼	+3
English China Clays	466	509	+4	Sedgwick	820	309	−6
Fisons	2,000	377	+7	Shell Trans	2,600	£15⅛	−⅛
Gen. Accident	74	£10⅛	−⅛	Smith & Nephew	999	185	−1
Gen. Elect	7,500	230½	−4½	Standard Chart	318	764	−14
Glaxo	3,000	£17¾	+⅜	Storehouse	1,700	297	−5
Globe Investment	135	185	+1	Sun Alliance	312	£10⅛	−⅛
Granada	2,550	353	−7	TSB	2,410	92	—
Grand Met	1,600	566	−10	Tarmac	3,200	308	+12
GUS "A"	214	£14⅛	+⅛	Tesco	3,200	197	−7
Guardian R.E.	49	£10⅛	−⅛	Thorn EMI	421	781	−4
GKN	696	356	−2	Trafalgar House	34,000	407	+6
Guinness	2,500	361	−8	T'house Forte	3,400	273½	−7
Hammerson	268	425	−18	Unigate	686	413	−7
Hanson Trust	6,500	174	−1½	Unilever	595	679	−9
Hawker Sidd.	1,300	558	+3	United Biscuits	1,300	330	−5
Hillsdown Hldgs	3,600	325	+4	Wellcome	1,000	464	−1
ICI	2,000	£15⅛	+⅛	Whitbread "A"	639	370	−9
				Woolworth	1,200	427	−5

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	3	17
Corporations, Dominion and Foreign Bonds	9	5	44
Industrials	504	533	823
Financial and Properties	183	172	244
Oils	33	35	46
Plantations	8	3	3
Mines	66	37	86
Others	111	34	109
Totals	1,006	822	1,072

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed July 8 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues July 7 Index No.	Mon July 6 Index No.	Fri July 3 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	994.72	+0.3	6.89	2.74	18.19	10.75	992.12	984.77	976.43	733.17
2 Building Materials (29)	1319.45	+1.9	6.58	2.60	19.05	13.90	1295.24	1280.96	1260.74	818.57
3 Contracting, Construction (33)	1842.06	+0.9	6.51	2.60	20.62	19.38	1826.46	1807.02	1783.65	1255.95
4 Electricals (13)	2637.00	+2.2	5.75	3.01	22.34	36.50	2580.06	2573.29	2543.88	1885.95
5 Electronics (35)	2131.81	−1.0	7.11	2.30	18.00	15.24	2152.72	2138.92	2138.41	1663.24
6 Mechanical Engineering (60)	525.28	−0.5	7.68	3.22	16.34	7.68	527.98	524.82	520.38	410.62
8 Metals and Metal Forming (7)	562.47	−0.5	6.97	2.80	17.30	6.80	565.21	565.90	563.80	360.96
9 Motors (14)	378.62	+0.2	8.07	2.81	14.41	3.42	377.83	377.66	374.14	311.79
10 Other Industrial Materials (21)	1631.20	+0.3	6.05	2.99	19.93	20.86	1625.63	1610.65	1597.07	1310.54
21 CONSUMER GROUP (185)	1358.94	−0.4	5.81	2.48	22.04	13.72	1364.32	1357.43	1345.24	923.97
22 Brewers and Distillers (22)	1231.37	−1.7	7.62	2.89	16.52	11.67	1252.14	1245.82	1212.07	945.52
25 Food Manufacturing (24)	1050.99	−0.9	6.69	2.91	19.41	14.27	1060.07	1058.29	1044.72	683.57
26 Food Retailing (16)	2552.76	−0.9	5.02	2.25	27.21	21.12	2574.90	2593.90	2573.29	1831.48
27 Health and Household Goods (10)	2592.14	+1.2	3.90	1.54	30.06	14.67	2562.00	2529.84	2528.79	1564.26
29 Leisure (31)	1428.86	−1.0	5.53	3.00	23.77	16.21	1442.64	1435.27	1415.87	903.80
31 Packaging & Paper (15)	719.79	−0.3	5.86	2.40	21.56	7.88	721.91	720.65	715.43	479.53
32 Publishing & Printing (15)	4514.00	−0.5	4.67	3.03	27.57	58.32	4538.16	4522.89	4527.37	2582.41
34 Stores (36)	1122.91	−0.2	6.42	2.55	21.06	12.81	1124.73	1115.15	1109.54	875.99
35 Textiles (16)	822.02	−0.6	7.57	2.73	15.33	10.67	827.13	823.56	818.27	555.20
40 OTHER GROUPS (86)	1143.02	−0.1	7.50	3.06	16.60	10.43	1144.05	1141.48	1130.76	778.13
41 Agencies (16)	1705.52	+0.2	4.01	1.43	32.92	9.50	1701.76	1692.72	1680.92	0.0
42 Chemicals (22)	1440.85	+0.6	6.82	3.05	17.97	19.49	1431.98	1419.92	1407.58	908.40
43 Conglomerates (12)	1435.36	−0.6	7.14	3.18	16.05	18.93	1443.45	1450.82	1446.27	0.0
45 Shipping and Transport (11)	2407.29	+0.7	6.48	3.34	19.42	37.76	2390.32	2384.84	2369.19	1494.59
47 Telephone Networks (2)	1121.62	−1.1	8.97	3.60	14.88	1.09	1134.62	1135.18	1126.53	824.70
48 Miscellaneous (25)	1637.62	+0.7	8.45	2.73	14.20	18.29	1626.77	1616.50	1583.73	1068.20
49 INDUSTRIAL GROUP (483)	1220.87	−0.1	6.54	2.70	19.30	12.22	1222.64	1216.63	1205.73	840.13
51 Oil & Gas (17)	2426.89	—	4.51	3.81	28.71	37.29	2425.67	2411.68	2354.29	1169.53
59 500 SHARE INDEX (500)	1323.30	−0.1	6.22	2.88	20.35	14.41	1324.81	1318.12	1303.26	877.29
61 FINANCIAL GROUP (118)	833.06	−0.9	—	3.53	—	12.88	840.93	838.30	830.38	614.02
62 Banks (8)	836.76	−1.5	16.56	4.48	7.98	15.49	849.81	840.83	832.44	653.35
65 Insurance (Life) (9)	1179.21	−1.3	—	3.57	—	20.71	1194.71	1193.97	1173.68	898.42
66 Insurance (Composite) (7)	623.40	−1.8	—	3.93	—	11.76	634.86	630.87	624.17	494.51
67 Insurance (Brokers) (9)	1290.23	−0.5	8.34	4.19	15.45	26.32	1296.94	1297.09	1291.54	1151.43
68 Merchant Banks (11)	429.35	+0.5	—	3.15	—	5.53	427.30	426.07	416.21	355.67
69 Property (46)	1301.71	−0.5	3.63	2.26	35.58	11.75	1308.06	1319.86	1318.80	796.88
70 Other Financial (28)	562.59	+0.7	5.92	2.87	21.26	5.89	558.91	554.47	549.37	344.73
71 Investment Trusts (91)	1113.49	+0.2	—	2.15	—	10.97	1111.12	1110.52	1100.40	758.19
81 Mining Finance (2)	559.01	+2.3	6.06	2.97	18.97	6.79	546.51	534.11	525.49	270.21
91 Overseas Traders (10)	1145.18	+0.7	7.91	4.11	15.01	23.27	1137.51	1128.60	1123.87	677.05
99 ALL-SHARE INDEX (721)	1191.17	−0.2	—	2.96	—	13.85	1193.44	1187.67	1174.69	799.80

	Index No.	Day's Change	Day's High	Day's Low	July 7	July 6	July 3	July 2	July 1	Year ago
FT-SE 100 SHARE INDEX ‡	2356.9	−8.5	2375.9	2352.5	2365.4	2351.9	2328.1	2297.4	2269.8	1614.6

FIXED INTEREST

PRICE INDICES	Wed July 8	Day's change %	Tues July 7	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	123.40	+0.07	123.32	—	6.20
2 5-15 years	142.97	+0.19	142.70	—	7.31
3 Over 15 years	153.09	+0.32	152.61	—	6.85
4 Irredeemables	166.87	+0.20	166.53	—	7.27
5 All stocks	139.27	+0.18	139.03	—	6.90
Index-Linked					
6 5 years	121.88	+0.15	121.69	—	1.57
7 Over 5 years	115.84	+0.63	115.11	—	1.71
8 All stocks	116.16	+0.59	115.48	—	1.69
9 Debentures & Loans	123.12	+0.05	123.13	—	6.13
10 Preference	88.83	+0.21	88.65	—	3.27

AVERAGE GROSS REDEMPTION YIELDS		Wed July 8	Tues July 7	Year ago (approx.)
British Government				
1 Low	5 years	8.15	8.19	7.89
2 Coupons	15 years	8.95	8.98	9.00
3	25 years	8.96	8.98	9.05
4 Medium	5 years	9.05	9.07	9.21
5 Coupons	15 years	9.17	9.20	9.30
6	25 years	9.18	9.21	9.30
7 High	5 years	9.19	9.23	9.42
8 Coupons	15 years	9.33	9.36	9.44
9	25 years	9.13	9.16	9.32
10 Irredeemables †		8.83	8.86	8.97
Index-Linked				
11 Inflat'n rate 5%	5 yrs	2.58	2.62	3.89
12 Inflat'n rate 5%	Over 5 yrs	3.78	3.82	3.47
13 Inflat'n rate 10%	5 yrs	2.28	2.32	2.71
14 Inflat'n rate 10%	Over 5 yrs	3.72	3.76	3.32
15 Debs &	5 years	10.11	10.12	9.83
16 Loans	15 years	10.11	10.12	10.20
17	25 years	10.11	10.12	10.28
18 Preference †		10.22	10.24	10.45

‡ Opening index 2370.5; 10 am 2371.6; 11 am 2373.5; Noon 2371.0; 1 pm 2369.7; 2 pm 2363.6; 3 pm 2359.9; 3.30 pm 2352.6; 4 pm 2355.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*444)	390	60	73	85	1	5	8
	420	30	48	68	1½	12	20
	460	7	27	45	22	30	35
Brit. Airways (*165)	140	26	30	38	1½	5	8
	160	7½	17	27	4	11	20
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*359)	300	67	72	—	2	4	—
	330	40	50	65	4	12	20
	360	14	35	45	14	23	32
	390	6	23	35	35	42	46
Ladbroke (*444)	420	—	—	58	—	—	17
[illegible]							

[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices July 8

[illegible]

MONTREAL

Closing prices July 8

[illegible]

(—No voting rights or restricted voting rights.)

Total Sales 7,849,034 shares

Indices

NEW YORK — DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

TORONTO

[illegible]

MONTREAL Portfolio

[illegible]

* Indicates pre-close figure

[illegible]

**Saturday July 4: Nikkei Index: 24,158.52.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
[illegible] Wl	4,878,700	4⅛	unch	McDermott	2,028,800	31⅝	+ ⅜
Gillette	3,121,500	40⅞	+2⅛	Lockheed	1,855,400	57⅛	+3⅛
Texaco	2,845,400	46⅝	+ ¾	Southland	1,737,900	75⅝	unch
ATT	2,994,100	29	unch	Pepsico	1,644,700	37⅞	+1⅛
USX Corp	2,271,400	30½	+ ½	Revco	1,628,300	18½	+ ⅝

Advances 884 Declines 622

LONDON — Most Active Stocks
Wednesday, July 8, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	47.5m	191	+ 4½	Brit Airways	8.8m	165	+ 6
Traf. Hse	34.8m	467	+ 8	Cble & Wire	8.0m	481	+11
Sears	18.0m	171¼	+ 3	Gen Elect	7.5m	238½	− 4½
ASDA-MFI	18.0m	194	+ 4	Hanson Tr.	6.4m	174	− 1½
BP	9.1m	467	− 2	Plessey	6.3m	224	+ 1½

TOKYO — Most Active Stocks
Wednesday, July 8, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	34.73m	388	− 3	Matsushita Elec Ind	12.21m	2,140	−160
Nippon Mining	26.86m	624	unch	Ishikawajima-Harima	11.30m	625	− 15
Teikoku Oil	18.79m	981	+31	NEC	10.49m	1,900	−140
Nippon Oil	17.83m	1,490	−20	Mitsubishi Electric	10.03m	610	− 32
Kawasaki Steel	12.93m	237	− 8	Hitachi	8.68m	1,080	− 70

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Asprey	960	+125
Assoc.Brit.Prts.	673	+ 23
Birm. Mint	271	+ 10
Bowater Inds.	585	+ 13
Caradon	354	+ 17
Charterh.	59	+ 6½
Contibel	318	+ 17
Cowie (T.)	832	+ 43
ERF	188	+ 10
Enterpr. Oil	331	+ 14
Etam	312	+ 14
Glaxo	£17¼	+ ⅛
Keep Tr.	417	+ 19
Lookers	450	+ 15
MK Elec.	519	+ 22
Marine Dev.	642	+ 60
Mercant. Hse.	485	+ 77
Meyer Intl.	460	+ 19
Oakwood	760	+ 25
Redland	568	+ 17
Scholes (G.H.)	630	+150
Steetley	404	+ 19
Tarmac	308	+ 12
Textu Jersey	238	+ 41

FALLS:

Fletch. Dennys	76	− 19
Lloyds Bk	375	− 15
Midl. Bk.	628	− 26
Neil & Spenc.	18	− 7
Royal Ins.	512	− 21
Stand. Chart.	764	− 14

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR s	.50	1.5	23	57	33½	33¼	33¼	−⅜
37	21⅞	ADT	.92	2.9	18	83	32	31½	31⅝	−⅜
27¾	16¾	AFG g	16	6	11	131	26⅝	26	26	−⅜
22⅞	8⅝	AGS s			17	768	16¾	16	16¼	−½
11⅞	6¾	AMCA				20	8¼	8¼	8¼	+⅛
9⅝	4⅞	AM Intl				531	7½	7¼	7½	+⅜
62⅞	47¼	AMR			12	8738	57¾	56¾	57¼	−¼
27½	24⅞	ANR pf	2.67	9.8		2	27¼	27¼	27¼	+¼
25	21½	ANR pf	2.12	9.2		5	23	23	23	
11¾	8	ARX s			12	28	10⅜	10¼	10¼	−⅛
73½	28¾	ASA	2a	3.3		1213	60¼	57⅝	60¼	+2⅞
20	9¾	AVX		1.8	87	54	17⅜	17¼	17⅜	−⅛
67	41	AbtLab	1	1.6	26	3627	64¼	62¼	63⅞	+⅞
26	25⅝	Abitibi g				1323	26	25⅝	25¾	−⅛
28¾	16⅝	AccoW s	.44	1.5	26	2580	28⅝	28½	28⅝	+⅛
15⅞	9	AcmeC	.40	3.0	9	25	13⅜	13⅛	13¼	
8⅝	6⅛	AcmeE	.32b	4.1	30	32	8	7⅞	7⅞	
23⅞	19	AdaEx	3.42e	15		79	22½	22⅛	22¼	−⅛
19½	11⅜	AdmM s	.24	1.5	12	8	16½	16½	16½	
25⅛	12⅞	AdvSys	.62t	2.6	17	25	23⅞	23½	23¾	+⅛
24½	12⅞	AMD				6773	18½	17⅜	18⅛	−¼
54¾	48½	AMD pf	3	6.3		639	48½	d48	48	−½
10¾	5¼	Adobe				1878	10	9⅝	9⅞	+¼
20½	13¾	Adob pf	1.84	9.6		191	19¼	19	19¼	+¼
21⅞	16⅝	Adob pf	2.40	11.		6	21⅜	21¼	21¼	+⅛
15⅝	10⅝	Advest	.12a	1.0	9	99	12¾	12⅝	12⅝	−⅛
68½	53	AetnLf	2.76	4.6	9	6435	59¾	59⅜	59⅜	−⅜
53⅝	51⅛	AetL	pf3.75e	7.3		7	51½	51½	51½	
64½	26½	AflPb s	.32	.5	32	497	62⅞	60¾	62⅞	+1⅝
[illegible]										

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
83 1/4	46 5/8	Xerox	3	3.9	18	4085	77 1/8	76 5/8	76 1/2	−1/2
58 1/4	54 1/4	Xerox pf5.45		9.9		59	55	54 1/4	55	+1/4
28 3/4	21 1/2	XTRA	.64	2.4		968	26 3/4	26 1/8	26 3/4	+5/8
27 1/4	15	Yorkin			18	296	25 1/4	24 1/2	24 7/8	−3/8
5 1/2	2 1/4	Zapata				2759	5 1/2	5 1/4	5 1/2	
42 3/8	20 3/4	Zayre	.40	1.3	18	8801	29 7/8	29 1/4	29 7/8	+7/8
14 3/4	9 3/4	Zemex	.40	3.1	8	29	13 1/2	13	13	−5/8
29 3/4	18 7/8	ZenithE				3645	26 3/4	26 1/2	26 1/2	
15	8	ZenLab				1275	10 1/4	9 7/8	10	−1/8
19 1/2	12 5/8	Zero	.36	2.2	17	448	16 7/8	16 1/2	16 5/8	−3/8
28	16 3/8	Zurnin s			19	254	u28 1/2	27 1/2	27 7/8	+1/2
10 3/8	8 3/4	Zweig n.65e		6.7		1276	9 3/4	9 5/8	9 3/4	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 39

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Attack made on record after profit-taking

WALL STREET

OVERCOMING A BOUT of morning profit taking, Wall Street blue chips edged ahead to record levels yesterday as buying of takeover and restructuring stocks generated heavy volume, *writes Roderick Oram in New York.*

Credit markets were hampered, however, by caution over present levels of the dollar and bonds which led to prices slipping as much as two-thirds of a point.

The Dow Jones industrial Average closed up 14.19 points at 2,463.97 breaking its previous record of 2,451.05 set on June 25. Yesterday's rise ended a pattern prevailing of a hesitant rally in recent weeks in which it has failed to rise two days in a row.

Gains of 0.89 to 308.29 by the Standard & Poor's 500 and 0.53 to 173.42 by the New York Stock Exchange composite index left both broader market measures just short of their records set on June 22. The American Stock Exchange all share index rose 2.12 to 346.57, its second consecutive record close.

NYSE volume was heavy at 207.5m with advancing issues outnumbering those falling by a ratio of eight-to-seven. It was the first time since early February that the volume had exceded 200m on consecutive days.

The markets' sharp rise on Tuesday during Col Oliver North's testimony to Congress was seen the morning after as something of an over-reaction.

Some technology stock bounced back from their heavy profit taking earlier in the week. IBM rose $2⅞ to $168¾, Texas Instruments gained $⅝ to $59¾, Microsoft rose $2¾ to $93½ and Lotus Development put on $2¼ to $29¼ although Unisys fell $1⅛ to $123½ and Digital Equipment lost $1¼ to $181¼.

Texaco gained $½ to $45¼ on more than 4.2m shares which made it the third most active NYSE issue on news that Mr Robert Holmes à Court, the Australian raider, had increased his stake to 7.4 per cent.

Standouts in an otherwise dull day included a large group of companies with declared or rumoured restructuring plans. Teledyne, up $21 at $377 is likely to benefit from stakes in three companies in this category. It holds 26 per cent of Litton, which rose $3⅞ to $106, on speculation it would announce plans soon. It has 18 per cent in Kidde, which edged up $⅛ yesterday to $61½ after a sharp rise in its stock in recent weeks before Tuesday's decision to put itself up for sale.

Allegis gained $¾ to $92⅜. The travel group, which announced last month to sell off its hotel and car rental operations, reported second quarter net profits of $1.29 a share against 41 cents a year earlier.

International Multifoods jumped $4⅜ to $37¾. It said it would be "surprised" if Nestle made, as rumoured, a $45 a share takeover offer. Meanwhile, a newspaper reported that the Belzberg family of Canada had a 4.5 per cent stake in it.

Gerber Products added a further $⅝ to $54⅝. The company, known for its baby foods, is yet another rumoured candidate for restructuring.

Cummins Engine dropped $3½ to $86¼ after E. F. Hutton's analyst downgraded her investment rating and lowered estimates for second quarter and full year profits.

Among companies reporting higher quarterly profits yesterday, Mead added $⅞ to $35½, Marriott fell $¼ to $39½, and Walgreen was unchanged at $41⅛. CBS rose $1⅜ to $177⅜ despite a drop in second quarter profits to $3.77 a share from $4.77.

Atco soared $7⅞ to $22¼. Tyco Laboratories, up $2⅜ to $47⅞, has begun a takeover of the steel conduit manufacturer at $23 a share.

CANADA

TORONTO soared in heavy trading with advances across the board building on the good gains of the previous day.

Golds posted good gains. Cambell Red Lakes added C$1⅛ to C$35⅝, Lac Minerals gained C$1⅜ to C$42⅛ and International Corona was up C$⅜ at C$39⅜.

Energy shares covered good ground with Imperial Oil advancing C$⅜ to C$76½, Gulf Canada adding C$⅜ at C$29¼ and Shell Canada rising C$⅜ at C$49⅜.

Among the actives, Encor Energy gained C$⅜ at C$9⅛, Wharf Resources increased C$⅛ at C$7⅛ and Ranger Oil was up C$⅛ at C$8⅛.

Mining shares also pushed upwards with Inco gaining C$1 to C$25½. Alcan rose C$1⅛ to C$44 and Noranda added C$½ at C$33.

SOUTH AFRICA

GOLD SHARES in Johannesburg followed the fortunes of the bullion price, falling back before recovering to finish only slightly down on the day under pressure from a firmer financial rand.

In a quiet market, Vaal Reefs managed a R2.50 rise to R430 but Randfontein fell R1 to R419 and Driefontein lost 75 cents to R80.50 after a block trade in almost 1m shares.

Elsewhere, De Beers carried on rising with a 50 cent gain to a high of R44, while mining financials saw Anglo American also up 50 cents at R81.50.

Industrials were generally stronger, with SA Breweries adding 20 cents to R20.10.

Karen Fossli examines a reversal in fortunes

Oslo hits high on new confidence

THE NORWEGIAN BOURSE soared to a record for the second consecutive day yesterday owing to the restoration of foreign investors' confidence in the Government, the stability of the oil market and the strength of the kroner.

Turnover climbed to NKr 115.2m ($17.1m), breaking Tuesday's record. The previous highest trading volume was NKr 127m in April.

The all-share index surpassed April's peak levels, rising 5.59 to 339.43, having reached 333.84 on Tuesday.

The oil index traded at an all-time high of 294.62, pursuing its bull run started a week ago when it hit a peak of 287.60 after Opec demonstrated its intention to maintain stability in the oil market.

The shares of Norway's three largest banks, Den norske Creditbank, Kristiania, and Bergen Bank, each increased in value by NKr 4.50 to NKr 6.

Industrial shares also did well. The index rose above Tuesday's record by 5.9 reaching 443.61. Dyno Industry, the engineering and industrial group, saw its shares rise NKr 3.50 and Norsk Hydro gained NKr 5.50.

"Investors want to position themselves before the holiday period," said a bourse spokesman, suggesting that increased activity is expected after the holidays.

The Norwegian market has been undergoing significant changes this year. The Government plans to tighten regulations, reflecting its concern about insider trading and the volatility caused by short-term trading.

Investors were shaken last month by a Government proposal for a two per cent tax on share trading and on May 7 the bourse registered its steepest ever one-day fall when it plunged 4.2 per cent to 299.98. The plan has since been dropped.

Tim Dickson reports on speculation around a leading share

Brussels buzzes over Générale raid

A MYSTERY buyer of shares in Société Générale de Belgique, Belgium's largest industrial and commercial holding company, has left the Brussels bourse buzzing with excitement in the last few days. The company's stock was in demand again yesterday and hit a high of BFr 4,170, compared with BFr 3,600 two weeks ago.

There is intense speculation in who might be behind the raid, with suggestions ranging as wide as the British group Hanson Trust and the Japanese securities group Nomura (which is organising Société Générale's forthcoming Tokyo listing) to possible American and West German buyers.

The gossip also extends to the likely motives since "La Generale" as the group is affectionately known locally, has a finger in just about every Belgian pie (more than 2,000 individual stakes in other companies).

The rumours have been fuelled by the fact that instead of using one of the bigger Brussels stockbrokers the buyer is understood to have placed all his orders through Denis Vandeerborght, one of the city's finest firms.

While an aggressive takeover of Société Générale is unthinkable in parts of the Belgian business and financial community, the company's shares are very widely spread, perhaps 70 to 80 per cent are in uncommitted hands, and after the recent unsuccessful assault on the largest local insurer Royale Belge by Axa of France anything seems possible.

One of the more intriguing rumours surrounds Cerus, the French group controlled by the Italian entrepeneur Mr Carlo de Benedetti in whose Spanish subsidiary Société Générale recently took a significant minority stake.

La Générale itself, meanwhile, is outwardly at least unmoved

EUROPE

Brussels builds on peak as Milan steadies

THERE WAS no clear trend in Europe yesterday as Brussels and Oslo hit fresh records. Elsewhere trading was generally steadier, with movements narrow.

Brussels posted further gains as the bull market steamed to a record index of 5,034.73, improving on Tuesday's peak by 28.67.

There was lively interest in Sofina which closed BFr 350 higher at BFr 15,700. Recently strong chemical issues were little changed but Gevaert slipped BFr 140 to BFr 7,720 and blue chips continued to command foreign interest.

Holdings showed some hesitation, with GBL losing BFr 25 to BFr 3,915 and Cobepa easing BFr 60 to BFr 6,090. But Reserve, the stock of Société Générale, prospered and rose BFr 80 to BFr 4,170.

Frankfurt steadied towards the end of the day as profit-taking and a lack of buying orders dampened the early rally. Most share prices closed higher in tandem with early gains on Wall Street.

The lack of buyers slowed the advance and led to profit-taking, but the overall mood was better than in recent days. The upward movement of Siemens, which ended DM 3.60 better at DM 684, helped sustain the more optimistic trend although news of a drop in industrial orders and retail sales depressed any bullish sentiment.

Mannesmann firmed DM 2.30 to DM 165.80 after moving towards a recovery and MAN gained DM 2.50 to DM 190.50 after agreeing to combine diesel operations with a French group.

Amsterdam ended mainly lower after a day of active business with selected shares attracting interest.

Royal Dutch was in demand throughout the day, adding 60 cents to Fl 290.30 in response to firmer oil prices. Akzo continued to benefit from its recent purchase of Stauffer chemicals speciality unit, closing Fl 5.20 higher at Fl 168.50.

Aircraftmaker Fokker partly recovered from its low opening but was still down Fl 2.40 after newspaper reports of a defect in one of its aircraft.

Wolters Samsom, due to publish its formal bid for a merger with publisher Kluwer today, fell Fl 1 to Fl 124. Kluwer, subject to a hostile takeover from Elsevier, lost 40 cents to Fl 57.

Milan recuperated slightly from Tuesday's low and the Milan Stock Index advanced 0.65 to close at 932. Volume continued low and gains were attributed to technical factors.

Olivetti was L140 stronger at L12,250 on its announcement of the creation of a new company for the home computer sector.

Zurich noted an increased turnover in domestic bonds and a day of more active trading as the higher close on Wall Street helped to lift prices.

Swissair bearer was up SFr 25 to SFr 1,420

Paris advanced in moderate trading under the influence of a firm dollar and following the lead of oil issues.

Elf Aquitaine added FFr 9 to close at FFr 383, Esso rose FFr 33 to FFr 513 a share and BP France posted a gain of FFr 5.90 to FFr 106.

Stockholm improved across the board with a healthy performance by blue chips.

Madrid built on its recent advances to end higher

London falls back

EQUITIES ran into a technical correction in London yesterday after their recent strong gains as domestic institutions began to shy away from a series of rights issues and cash calls

The FT-SE 100 was 8.5 lower at 2,356.9 and the FT Ordinary lost 9.5 to 1,827.2.

Gilts had a lacklustre session, closing gains of about ¼. Details, Page 38. BAA pricing, Page 6.

ASIA

Nikkei falls again, Sydney soars

TOKYO

LIGHT SELLING of high-technology and consumer linked stocks late in the session drove equities sharply lower in Tokyo yesterday for the fifth consecutive day as bond prices plunged and the dollar rose, *writes Shigeo Nishiwaki of Jiji Press.*

After the close, the Tokyo Stock Exchange decided to ease restrictions on margin trading, effective from today.

The Nikkei average plunged 343.87 to 23,472.42 after surging 299 at one stage on a strong overnight rally on Wall Street. Turnover stayed weak at 605m shares, compared with Tuesday's 571m. Declines outpaced advances by 539 to 289, with 131 issues unchanged.

The Nikkei's closing level marked a 9.5 per cent fall from its June 17 peak of 25,929.42.

High-technology stocks tumbled in late trading. Matsushita Electric Industrial fell Y160 to Y2,140, NEC Y140 to Y1,900, Hitachi Y70 to Y1,080 and Fujitsu Y50 to Y1,040.

An official at a large securities firm attributed the slide to increased selling by non-residents sparked by the yen's recent weakness against the dollar.

Large-capitals eased across the board: Nippon Steel, the busiest stock with 34.73m shares traded, weakened Y3 to Y308, Kawasaki Steel Y6 to Y237, Ishikawajima-Harima Heavy Industries Y15 to Y625 and Mitsubishi Heavy Industries Y4 to Y583.

Electric power and gas utilities were also dull and the construction and property sectors performed badly.

Financials were hurt almost across the board: Sumitomo Bank lost Y60 to Y3,550, Tokio Marine and Fire Insurance Y50 to Y2,090 and Nomura Securities Y130 to Y4,280.

Among chemicals, Mitsubishi Chemical Industries was down Y30 at Y1,140 and Tokuyama Soda Y36 at Y770.

Oils featured in early trading on the surge in crude oil prices but later faded. Nippon Mining, second busiest with 26.66m shares, closed unchanged from the previous day's close at Y624 after climbing Y22.

Bonds plummeted on the likelihood of higher interest rates, after the dollar climbed above Y150 in Tokyo currency trading for the first time in about 3½ months.

The yield on the benchmark 5.1 per cent 10-year government bond falling due in June 1996 opened at 4.190 per cent, compared with the previous day's 4.055 per cent finish. It ended at 4.275 per cent in TSE block trading and later rose further to 4.330 per cent in inter-dealer trading.

AUSTRALIA

THE SURGE continued in Sydney despite the Australian dollar's plunge and weaker gold prices as investors took their cue from strong gains in stock index futures in heavy trading.

The All Ordinaries index rose 20.8 to 1,883.5 for a two-day gain of 49.9 points.

Industrials benefited sharply, with Brambles Industries climbing 50 cents to A$10.30, News Corp gaining 80 to A$20.80 for a two-day rise of A$1.30, John Fairfax adding 20 to A$4.90, and Lend Lease up 80 at a year's high of A$16.

In resources, Western Mining rose 22 cents to A$7.28, while banks saw National Australia fall 31 cents to A$4.75 after the announcement that it will buy three Midland subsidiaries.

Australian financial markets, Page 20

HONG KONG

BANKS again led the Hong Kong market to a fresh record as the Hang Seng index rose 14.97 to 3,251.38 and the Hong Kong index put on 8.17 to 2,109.43 in turnover worth HK$1.38bn.

Hang Seng Bank gained 75 cents to HK$43.25, Bank of East Asia 20 cents to HK$27 and Hongkong Bank 10 cents to HK$9.40.

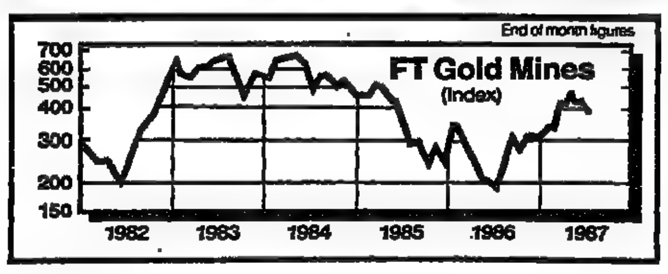
Properties also advanced, with Sun Hung Kai up 20 cents at HK$17.50 and Cheung Kong adding 10 cents to HK$12.70.

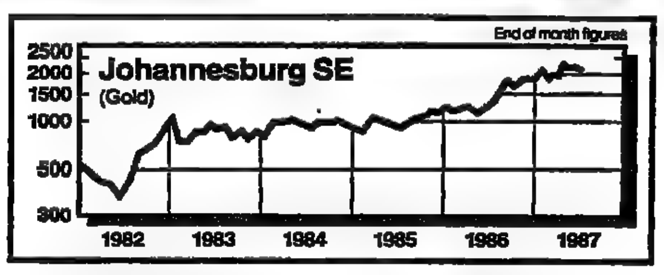
SINGAPORE

A DAY of mixed trading in Singapore saw the Straits Times industrial index edge up 1.01 to its fifth consecutive high, reaching 1,333.44, as buying and profit-taking offset each other.

In slightly lower turnover, Malayan Banking added 15 cents to S$7.95 and Genting was up 10 cents at S$6.90 and Fraser and Neave, off 30 cents at S$12.50. Singapore Airlines and OCBC were steady at S$13.20 and S$101.10 respectively.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 8	Prev	Year ago
NEW YORK			
DJ Industrials	2,460.62*	2,429.53	1,821.0
DJ Transport	1,033.32*	1,021.73	752.50
DJ Utilities	206.07*	204.97	198.23
S&P Comp.	307.79*	304.92	241.59
LONDON FT			
Ord	1,827.2	1,836.7	1,331.5
SE 100	2,356.9	2,365.4	1,599.0
A All-share	1,323.30	1,193.44	877.29
A 500	1,191.17	1,324.81	799.80
Gold mines	391.8	386.8	202.4
A Long gilt	9.13	9.16	9.31
World Act. Ind (July 6)	128.24	129.56	92.55
TOKYO			
Nikkei	23,472.42	23,816.09	17,734.1
Tokyo SE	1,961.03	1,993.57	1,369.63
AUSTRALIA			
All Ord.	1,883.5	1,862.8	1,125.2
Metals & Mins.	1,165.6	1,152.0	488.3
AUSTRIA			
Credit Aktien	184.99	184.33	240.10
BELGIAN SE	5,034.79	5,006.06	3,710.00
CANADA			
Toronto			
Met & Mins.	3,132.5*	3,020.83	1,992.0
Composite	3,929.0*	3,836.60	2,997.3
Montreal			
Portfolio	1,998.63*	1,946.96	1,508.09
DENMARK SE			
SE	225.68	205.68	216.56
FRANCE			
CAC Gen	421.80	418.60	368.1
Ind. Tendance	107.40	108.50	88.02
WEST GERMANY			
FAZ-Aktien	626.71	621.93	603.75
Commerzbank	1,903.70	1,886.40	1,822.8
HONG KONG Hang Seng	3,251.38	3,236.41	1,752.24
ITALY Banca Comm.	674.39	669.97	709.05
NETHERLANDS ANP CBS			
Gen	(uch)	313.60	289.5
Ind	265.60	265.00	288.6
NORWAY Oslo SE	443.61	—	352.63
SINGAPORE Straits Times	(u) 1,332.60		733.46
SOUTH AFRICA JSE			
Golds	—	2,085.0	1,215.6
Industrials	—	1,954.0	1,189.0
SPAIN Madrid SE	254.56	250.33	175.62
SWEDEN J & P	2,761.80	2,764.20	2,476.51
SWITZERLAND Swiss Bank Ind	622.10	619.10	548.6

COMMODITIES (London)

	July 8	Prev
Silver (spot fixing)	455.45p	460.85p
Copper (cash)	£1,042.00	£1,041.00
Coffee (September)	£1,225.00	£1,211.00
Oil (Brent Blend)	$19.45	$19.50

GOLD ($/oz)

	July 8	Prev
London	$448.50	$443.00
Zürich	$446.55	$444.55
Paris (fixing)	$440.13	$444.32
Luxembourg	$442.60	$446.25
New York (August)	$448.80	$448.10

CURRENCIES (London)

	US DOLLAR July 8	US DOLLAR Previous	STERLING July 8	STERLING Previous
$	—	—	1.6180	1.6200
DM	1.8415	1.8395	2.98	2.98
Yen	150.55	149.70	243.5	242.5
FFr	6.135	6.1275	9.9275	9.925
SFr	1.5335	1.5345	2.4825	2.485
Fl	2.0740	2.0705	3.355	3.355
Lira	1,331	1,331.5	2,153.5	2,157
BFr	38.15	38.15	61.75	61.80
C$	1.3245	1.3235	2.1425	2.1445

INTEREST RATES

	July 8	Prev
Euro-currencies (3-month offered rate)		
£	9⁹⁄₁₆	9⁹⁄₁₆
SFr	3¾	3¹³⁄₁₆
DM	3⅝	3⅝
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	7	7¹⁄₁₆
6-month US$	7⅛	7³⁄₁₆
US Fed Funds	6½*	6⅝
US 3-month CDs	6.60*	6.975
US 3-month T-bills	5.58*	5.74

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 8 (Sept)	92–10	93–05	91–29	92–27
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.12	94.17	94.08	94.14
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.78	92.89	92.78	92.79
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	123.24	123.25	123.05	123.15

US BONDS

Treasury

	July 8 Price	July 8 Yield	Prev Price	Prev Yield
7⅝ 1989	100⅜₃₂	7.321	100⁷⁄₃₂	7.356
7 1994	89¹⁄₃₂	8.123	99¹⁴⁄₃₂	8.105
8½ 1997	101¹³⁄₃₂	8.30	101¹⁷⁄₃₂	8.276
8¾ 2017	103¹⁄₃₂	8.440	103²⁄₃₂	8.412

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index July 8	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

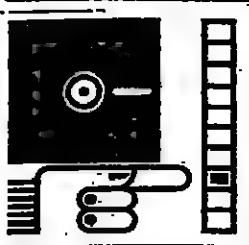
	July 8 Price	July 8 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.18	6.45	93.27	6.40
SCBT South Central 10⅞ Jan 1993	103.0	10.16	103.0	10.16
Phibro Sal 8 April 1996	92.61	9.25	92.61	9.25
TRW 8⅜ March 1996	97.34	9.20	97.34	9.20
Arco 9⅞ March 2016	103.14	9.55	104.16	9.45
General Motors 8⅜ April 2016	85.08	9.55	86.51	9.50
Citicorp 9⅞ March 2016	93.67	10.05	94.11	10.00

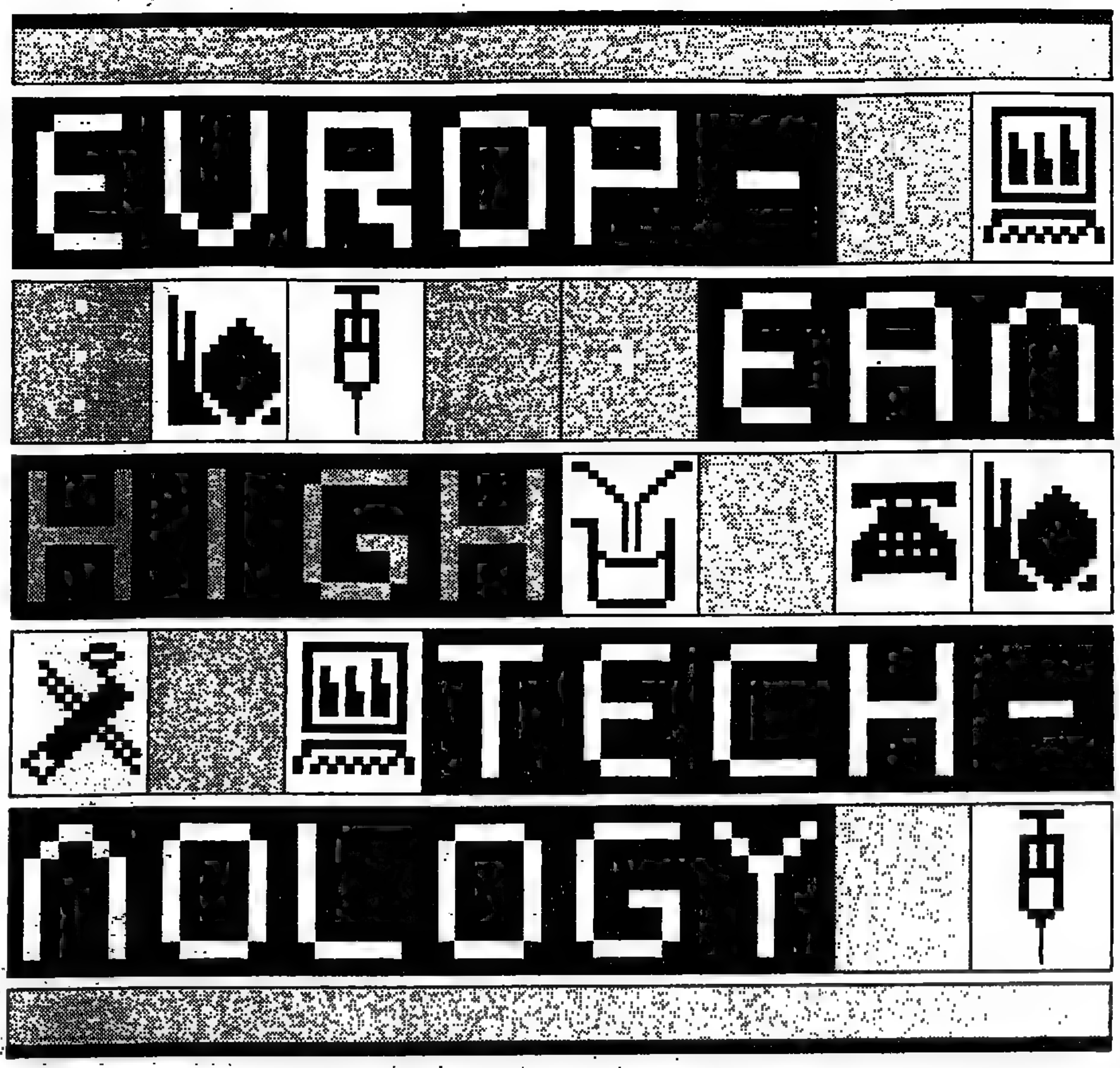
Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY





The record of European industry in technological innovation has become increasingly patchy in recent years. Now, faced with intense global competition, there is growing concern among policy-makers over Europe's weakness in electronics-based sectors, as Terry Dodsworth, Industrial Editor, reports here

CONTENTS

Collaboration is the key

IN RECENT years, a new consensus has developed in European high technology industry which runs rather like this:

The region, it is said, seems to have lost the ability to innovate effectively and competitively. Large, established groups with significant financial resources have failed to adapt themselves sufficiently to new markets, while the small entrepreneurial companies which should be developing to take advantage of new opportunities are simply not emerging. And throughout a range of industries, companies have been frustrated in putting together the pan-European organisations which ought to have been established to take advantage of the Common Market.

The series of research and development initiatives which have rolled out of both the European Community and individual European Governments during the mid-1980s aim to address problems of this kind. Programmes such as the Esprit and Race collaborative research ventures are intended to stimulate research and bring together companies which have remained isolated by national barriers in the past.

The same can be said of a project like the joint Philips-Siemens research and development effort in advanced microchips, an agreement which brings together the two biggest European companies in their field.

Behind these efforts to revitalise and reorganise European high technology sectors lies the fear that the region will slip back economically if it simply relies on buying technology from overseas or on persuading foreign companies to transfer their technology to plants established in Europe. New exporting industries need to be developed, it is argued, to replace Europe's traditional areas of strength.

At the same time, there is a risk of becoming too over-dependent on foreign technology that could be withdrawn: restrictions on US high technology exports have in the last few years demonstrated these dangers to European companies.

Nevertheless, these weaknesses in the European industrial structure are by no means evenly spread across all sectors. In some areas, European research and innovative products have established a world position; and in a few industries, the region has managed to reorganised its manufacturing into units that are capable, in terms of size, of competing against their best US and Japanese counterparts.

The more positive side of the balance sheet could be summed up as follows:

- In the pharmaceutical industry, European companies have attained and are continuing to maintain a position of great strength, both in the size of the companies involved and in their record for introducing innovative new drugs.

Hoechst and Bayer from West Germany, Ciba-Giegy from Switzerland and Glaxo from the UK are all in the world's top ten drugs companies, and Glaxo is the fastest-growing pharmaceuticals group in the world.

These companies have attained international status, earn strongly in export markets, and show no signs of being shoved off their perch by the Japanese, despite the large effort Japan is putting into the sector.

- European civil aerospace manufacturers have managed to establish a counter-weight to the enormous power wielded by the American industry. Rolls-Royce in engines and the Airbus consortium in airframes have developed products which are now gaining ground in world markets.
- In military aerospace, European companies have become increasingly interdependent, working together to create products which bear comparison with the output of the much larger US industry. The new four-nation European Fighter Aircraft, sponsored by the UK, West Germany, Italy and Spain, will boast a variety of exotic new technologies, from advanced materials to computer-controlled flying, or "fly-by-wire" techniques.
- The European telecommunications industry has spawned several companies, such as Siemens, the French Alcatel and Ericsson of Sweden, that compete effectively on the world scale.

With the takeover of ITT's interests in Europe, Alcatel has now become the second largest telecommunications company in the world after AT&T of the US, and Siemens is now making inroads into the American market for large-scale switching equipment.

Europe also has some strong cable manufacturing companies—STC of the UK and Cables de Lyons of France—and has begun to show signs of responding to the need for more uniformity in standards in the region: the recent decision to adopt a common pan-European system for digital cellular mobile radio telephones is a significant breakthrough towards common standards. It may also help Europe establish a strong manufacturing base in the industry, bringing together a number of different national companies in a variety of consortia.

- In the nuclear energy field, Europe has established world leadership in both fast breeder reactor development, and in research into fusion power. In both ventures this is being done through collaborative agreements.

Against these areas of achievement, however, there are an equal number of industries where the outlook is either uncertain or bleak.

- Europe's computer software manufacturers, for example, have come under increasing pressure to maintain their reputation as among the best in the world.

The rise of entrepreneurial new American companies such as Microsoft and Lotus has shown the advantages that flow to new companies from being closely in touch with large national market. By comparison, European companies tend to be small and operate in limited markets.

- The European space industry, after a heady period in which it seemed to be establishing itself as a viable enterprise, has run into serious problems with its launch vehicle, Ariane. These hiccups are causing considerable delays in the programme, and in the meantime, discussions are mired down on the role of Europe in the proposed international space station programme.
- In factory automation, Europe still lags behind the developments in Japan and the US, particularly in the emerging field of computer integrated manufacturing, where European companies are being left behind by large international groups such as IBM and Honeywell.
- In biotechnology, which can be regarded as an exotic branch of the pharmaceuticals industry, the Americans have grasped the initiative so far. This leaves European companies exposed to the threat of seeing their strength in the health sector eroded over time.
- The efforts to develop a stronger indigenous European computer industry have largely failed, leaving mainframe manufacturers relatively isolated in their home markets. IBM and the other established American groups continue to dominate this sector, and the main European companies that remain—Bull, Siemens and ICL—are being forced into niche strategies.
- In semiconductors, Europe still clearly lags behind its competitors, although a whole raft of support mechanisms have been introduced over the past few years, both in terms of volume produced and its level of technology. A range of new corporate and Government-backed investment initiatives may have begun to reduce the technology gap, but it is still very wide.

It is this weakness in the electronics-based industries that has come to concern European policy makers the most. Microelectronics—the development and manufacturing of semiconductor components—is regarded as a vital base technology which underpins an increasing range of downstream industries.

Just as importantly, the computer industry, which depends crucially on the ability to design new and more powerful chips, is becoming an ubiquitous productivity tool as computers work their way down into the roots of most organisations.

In both of these areas, Europe is in heavy deficit. On the electronic components side, for example, the European Community ran up a trade deficit in 1985 of $2.6bn, according to BIS Mackintosh, the market research group. The imbalance in the computer sector was even more—a total of $5bn, and BIS calculates that the region's total deficit in electronics, including other sectors such as consumer products and office equipment, amounted to $8bn. In telecommunications, the region remains in surplus, but even here the positive balance is diminishing.

Europe's traditional answer to its technology problems has been to try and improve the performance of its manufacturers by reorganising them in larger groups, often around a national "champion" charged with giving direction to a particular industry.

In recent years, however, the policy emphasis has been changing towards efforts to liberalise the frequently rigid market structures in the region. Manufacturing performance, it is argued, has often been undermined by the featherbedding of companies in their domestic markets, combined with the frustration of expansion possibilities created by protectionism throughout the region.

This sort of thinking was expressed most frequently in the EC's recent green paper on telecommunications, which is aimed at bringing down barriers within the European telephone market. Many industrialists now support these moves.

Indeed, a round table of senior executives representing some of Europe's largest high technology companies has been

Continued on page 2

Research and development

Global challenge intensifies

COLLABORATION IN research and development between European companies has emerged in the past few years as a major focal point of Western Europe's efforts to revitalise its competitive performance in advanced technologies, particularly electronics.

The most prolific source of initiatives has been the European Community, which has launched a succession of subsidised programmes including Esprit in information technology, Brite in factory automation, and Race, a project to develop the technologies for an EC-wide broadband telecommunications network.

Last year also saw the creation of Eureka, which has been backed by 20 European governments. As well as embracing countries outside the EC, Eureka is intended to encourage the joint development of "close to market" projects with clear commercial applications.

Most of the EC-sponsored programmes, by contrast, support "pre-competitive" research, a grey area which stops short of joint product development.

In practice, there has turned out to be a fair degree of overlap and duplication between projects covered by Eureka and Esprit. That has added a further level of complexity in an area which to most people outside the Europe's high-technology industries — as well as to some insiders — is already somewhat confusing.

All these exercises in EC- and government-sponsored collaboration obviously reflect a growing political anxiety about Europe's long-standing problems of "technology lag." But what are they supposed to achieve — and will they really make any difference to its industries' competitiveness?

Three principal factors have given impetus to the recent urge to collaborate:

- The soaring investments and multiple technological disciplines required to develop many types of electronics products, which now often exceed the resources of individual companies.
- The debilitating fragmentation of European industries and markets along national lines, which has led to wasteful duplication of effort by different European countries, frequently at each other's expense.
- The belief that western Europe must adopt a more united stand if its industries are to survive the global battle for technological supremacy being waged by the US and Japan.

Probably the most important achievement of the collaboration initiatives launched to date has been to contribute to a change in attitudes. By stimulating closer contacts between industries in different countries, they have helped to break down psychological barriers which have long caused many European companies to view each other with hostility and suspicion.

Some participants in Esprit say that working more closely with other companies has enlarged their horizons beyond their national markets and awakened them to the global competitive challenge. That, in turn, has helped foster industry-wide support for joint action, notably in support of common EC technical standards, which are widely viewed as a way of opening up European electronics markets.

How far government-sponsored collaboration has helped to force the pace of technological innovation is more debateable. While Esprit has begun to produce some results, it is difficult to say with certainty whether or not these might have happened anyway — or whether they are worth the investment in public subsidies involved.

A recent study by the Royal Institute for International Affairs, while favouring intra-EC technological collaboration on political and strategic grounds, points out that research can often be more expensive and harder to organise when conducted jointly than when carried out within a single company.

A more fundament question is whether, by placing so much emphasis on joint R&D, recent EC and government policies are really attacking the key reasons for Europe's competitive weakness in electronics. Many independent analyses agree that these stem less from any shortage of R&D investment than from a failure to turn technology speedily into commercial products and market them aggressively worldwide.

This point is underlined by figures published by the Organisation for Economic Cooperation and Development, which show that in 1983 total resources per researcher in the EC were almost equal to those in the US and much higher than in Japan and, in business enterprises, were the highest in the world.

However, the OECD figures show also that the European electronics industry has been relatively inefficient in using those resources. Since the mid-1979s, it has had to invest twice as much capital on average as Japan and 40 per cent more than the US to achieve an equivalent annual increase in output.

Hence, simply to go on pouring subsidies into joint R&D may not be very productive. Indeed, several EC governments have recently hesitated about committing further substantial funds. The proposed Community research budget for the next five years has been pared to Ecu 5.7bn, barely half the amount asked for by the Commssion, but the UK, however, has continued to balk at spending even at this reduced level, blocking an agreement during the first six months of this year.

Since the acrimonious European Council meeting at the end of last month, prospects have been clouded with even greater uncertainty. Though Mrs Thatcher, the British Prime Minister, offered a compromise which would have allowed spending to go on temporarily at recent rates, the future of the research programme became bogged down in disagreements between the UK and its EC partners over the much wider question of the financing of the Community budget.

Whether new funding for EC research can be agreed in the absence of an agreement on the entire budget issue is now highly questionable.

Some leading electronics companies, for their part, want to push EC collaboration beyond the research stage into joint product development. They are seeking EC backing for more than 20 "technology integration projects," large-scale schemes to develop specific products and systems such as supercomputers and voice-activated terminals.

The proposals have aroused some controversy, however. EC competition authorities, alert to the danger of industrial cartels being formed, appear uneasy about sanctioning the extension of collaboration so close to the market—and particularly if it is to be subsidised by Community funding.

These concerns underscore a broader point: that European industrial policies in the high-technology sector, at both national and EC level, have long tended seek solutions primarily by efforts to restructure suppliers into bigger groupings. The almost unquestioned assumption has been that sheer size is the answer to the American and Japanese challenge.

Much less attention has been paid to promoting competition and freer markets. Indeed, a striking characteristic of Europe's major electronics companies is that, in parallel with their failure to collaborate, they have hardly ever competed directly against each other across European markets. For most of them, preserving their entrenched positions at home has traditionally taken precedence over pan-European expansion.

This behaviour undoubtedly places them at a severe handicap in relation to Japanese electronics companies, which compete ferociously against each other at home before sallying forth internationally. The invigorating spur of competition is probably a more important factor in sharpening their commercial edge than the famous—and often over-rated—industrial co-operation promoted by bodies such as the Ministry for International Trade and Industry.

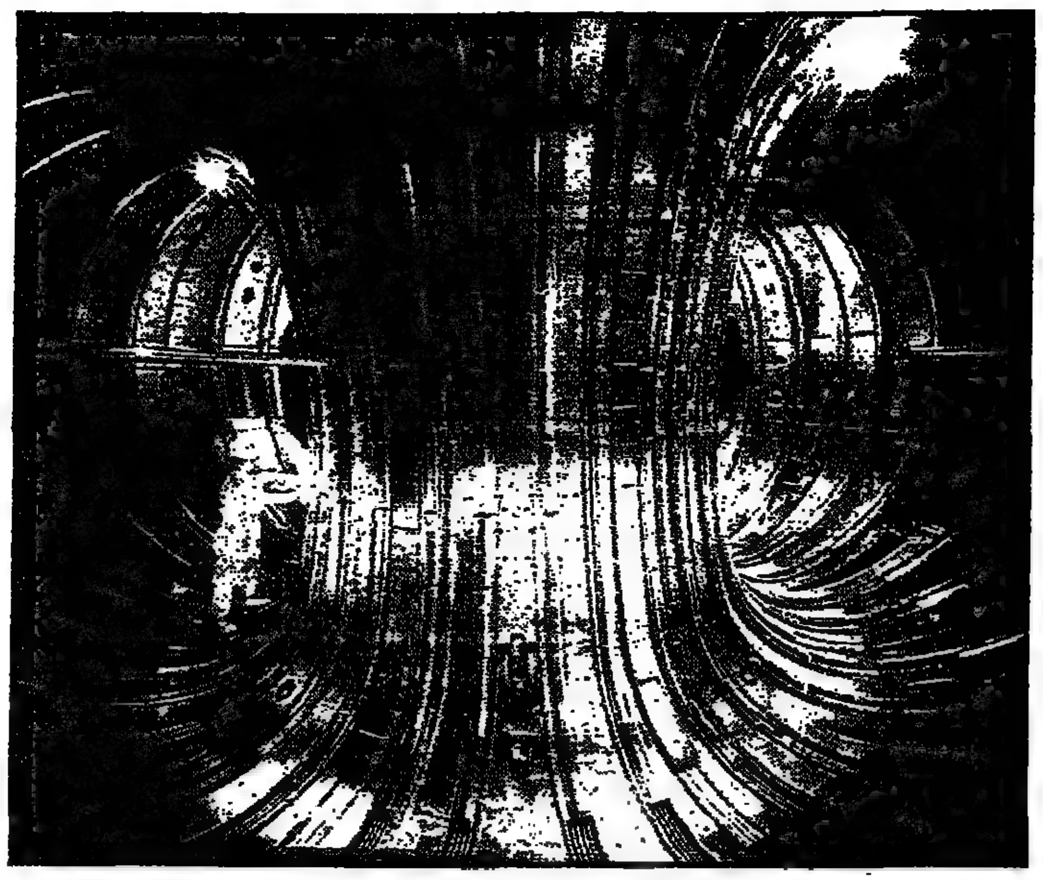
Furthermore, protected government orders, particularly in defence and telecommunications, have shielded many larger European electronics companies from the full rigours of commercial markets. In many countries, these orders have long been restricted to a few favoured suppliers and used to promote "national champion" policies.

However, the pressures for increased competition are growing. The EC Commission, in a recent Green Paper, recommended the UK's liberalisation of telecommunications as a model for other countries and called for freer competition in customer terminal equipment and value added network services.

As part of its programme for opening the EC internal market, the Commission is also preparing proposals for the relaxation of national public procurement policies.

Such recommendations undoubtedly face daunting political hurdles. The speed at which they are overcome will be a test of how fully European governments accept that competition is as important a factor as collaboration in promoting stronger and more efficient industries.

Guy de Jonquieres



One of the most successful co-operative ventures in nuclear fusion research is the Joint European Torus at the UKAEA Culham. The picture shows the vacuum vessel in which gases are heated to enormous temperatures

Technology-intensive products

- Percentage shares of world exports in technology-intensive products defined as those for which R & D expenditures exceed 2.36% of value-added.

Country	1965	1970	1975	1980	1981	1982	1983	1984
US	27.5	27.0	24.5	22.8	23.0	24.7	25.1	25.2
Japan	7.3	10.9	11.6	14.3	17.4	16.2	17.8	20.2
France	7.3	7.1	8.4	8.5	7.9	8.3	7.7	7.7
W. Germany	16.9	16.8	16.8	16.3	14.8	15.5	15.0	14.5
UK	12.0	9.8	9.6	10.8	9.0	9.4	8.7	8.5

Note: Reflects information from 24 reporting countries on exports to, and imports from, each of nearly 200 partner countries.
Source: DRI Special Tabulations of International Trade (Washington, DC); European Technological Collaboration (Sharp and Shearman).

High performance materials

Cashing in on composites

ADVANCED composites, the strong but light materials made by combining high-performance fibres and polymers, are at first sight a classic instance of Europe missing the technological boat.

The main market for advanced composites—which are best thought of as a sophisticated form of fibre glass—is in aerospace, particularly in the US. The leading companies are almost all US-based or Japanese, though many of the US companies have been expensively acquired by European groups in the past three years.

The attraction of composites is that they offer a return to the great days of growth in the plastics industry, based on substitution for metal. As yet the materials are too expensive—and too poorly understood by engineers—to be a truly mass market.

But as they move from high-performance jet fighters, space shuttles and missiles into the wider world of civil aerospace and— above all—the motor industry, some chemical companies are projecting growth rates of between 15 and 20 per cent a year.

BASF of West Germany, which aims to become a major player in this industry, puts the present market for composites in their unfinished state—known as pre-pregs—at $800m worldwide.

By 1991, says BASF, that is expected to reach $1bn. Du Pont of the US, also a company with great ambitions in the field, reckons that by the year 2000 the figure will be $10bn.

In the history of advanced composites a crucial development was that of carbon fibre, the enormously strong but light fibre whch acts to stiffen the basic polymer and gives it directional strength.

Carbon fibre was first developed 20 years ago by the Royal Aeronautical Establishment at Farnborough in the UK, in co-operation with Rolls-Royce.

Rolls-Royce then proceeded to lose huge sums in trying to make aero-engine parts from the new material. Carbon fibre was then offered to ICI, whch turned it down, and was taken up by the UK textile producer Courtaulds.

Courtaulds, however, made little headway with the new material, and it was left to Hercules of the US to develop the market, using Courtaulds' technology under licence.

Hercules now claims to be the world's leading player in the field of advanced composites—though in carbon fibre technology, the US has already been overtaken by Japan, and in particular by the two fibres companies Toray and Toho Rayon.

As the market developed in the US, European companies were slow to wake up to the scale of the missed opportunity. Eventually, the only way in was through acquisition.

ICI set the pace late in 1984, with the $750m acquisition of Beatrice Chemical of the US, which had among its businesses a company called Fiberite, much the biggest producer of pre-pregs in the world. BASF of West Germany, outbid by ICI on that deal, spent $135m the following year on another big US pre-pregger, Narmco.

Others to have followed suit since then include BP, whch last year spent $240m on HITCO, the composites business of the US company Owens Corning.

The BP purchase illustrates the difficulty of building up a composites business from a European base. Since 1979 the company had owned Bristol Composites of the UK, which was originally part of the old Bristol Aeroplane Company and had been involved with Rolls-Royce in the early development of carbon fibre.

Despite its sales to aeroplane manufacturers like Shorts and Fokker, Bristol had no presence in the US except a sales office in California. By last year its sales were only $16m. The addition of HITCO increases that by a factor of 10.

On the other hand, the world's leading supplier of the high-performance plastics used to bind the fibres in composites is European—Ciba-Geigy, of Switzerland. Perhaps heartened by that example, BASF aims to develop a domestic European composites base to add to its US purchases.

Besides its Narmco acquisition, BASF has been making carbon fibre in the US since 1982, using technology licensed from Toho in Japan. Through its Quantum subsidiary in Connecticut, it also undertakes the work which defeated Rolls-Royce, making jet engine parts from carbon fibres.

The company is now busy building an advanced composites plant at its giant Ludwigshafen complex in West Germany, at a cost of some DM 45m. It is also spending heavily on research—between 10 per cent and 20 per cent of composoite sales worth around DM 500m, according to Dr Franz Haaf, head of the group's advanced composites division.

BASF also plans to enter the Far East market for pre-pregs, again with its licensing partner Toho Rayon. A joint venture was formed at the beginning of this year, aimed at supplying the Japanese market for aviation and aerospace.

"A comparison with our competitors shows that BASF, along with Du Pont and perhaps Hercules, are among the companies that are most throroughly integrated and have the broadest scope of activities," says Dr Haaf.

Despite that, the European chemical industry has been late to enter the advanced composites business. Fortunately, it has now done so at a time when its profitability has allowed it to spend large sums in catching up.

Tony Jackson

This composites aeroengine cowl is manufactured by Westland

Collaboration trend

Continued from page 1

actively lobbying in Brussels in support of the concept of a totally open market in 1992.

At the same time, however, many of them feel that liberalisation alone will only provide part of the answer. They point out that American companies have been highly successful in establishing pan-European semiconductor activities, and that there are wide areas of the non-Governmental computer business which are open to all-comers, and which have, in fact, been captured by foreigners.

From this point of view, Europe's problems seem more related to cultural differences and a lack of drive in the industrial establishment. Breaking down these cultural barriers may be a crucial step in giving European companies the confidence to expand aggressively in Europe. And for this reason, it may be that the joint research programmes that are now springing up like mushrooms after a Spring rain may form a crucial catalyst in the development of genuinely pan-European high technology industries.

Research trends

- Growth rates of industrially-funded research and development projects

Country	1967-83	1967-75	1975-83
Japan	10.8	10.6	10.9
USA	4.1	2.4	5.7
W. Europe	4.4	4.3	4.5

Source: OECD figures.

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EUROPEAN HIGH TECHNOLOGY 3

Advanced ceramics

Volume uses beckon in cars and aviation

The big question being asked of advanced ceramics today is not if, but when substantial industry applications will develop. With potential uses in aerospace, automotive and superconductivity (zero electrical resistance) the stakes are high.

Superconductivity alone has a worldwide system value estimated at $1bn and a growth potential taking it to between $9 and $21bn by 1997. With announcements of new ceramic superconducting materials coming weekly the major problem is predicting which direction the technology will take. The automotive and aerospace market for advanced engineering ceramics is no more predictable.

Today's superconductor business is well defined and relatively easy to quantify. The *unknown quantity* is the impact of the new "high temperature" ceramic materials. All current superconducting applications use metal alloy materials discovered in the late 1950s—niobium titanium and niobium tin—operating at liquid helium temperatures, 4.2 Kelvin (K) — 269°C.

The tantalising attraction of superconductivity is of course zero electrical resistnce. The down side of this is that until recently it could only be achieved at temperatures approaching absolute zero (— 273.15°C). Recent materials announcements make room temperature superconductivity a real posibility but these developments have yet to show any practical benefit over existing materials.

The large scale use of superconductors is as powerful magets, 5-10 x more powerful than conventional electromagnets. The microelectronic sector uses comparatively small mounts but is a potentilly bigger business.

Medical nuclear magnetic resonance equipment accounted for world sales estimated at $500m in 1987, half the total market value. The remainder is made up of applications in high energy physics, fusion research and speculative projects, such as magnetic levitated vehicles.

In the next decade NMR could be worth $1bn but the computing market could be worth $4.5bn according to research by Baring Securities. The computing estimate is very subjective as this market does not yet exist.

The most promising application on the horizon is the mini synchrotron being developed for IBM to provide an X ray source for semiconductor manufacture. The first machine, estimated to cost $10m, will be delivered in 1990. However, the market is finite and Winson sees a potential population of 200 machines.

Where the market develops outside these established *superconductors* is dependent on how the new materials discovered since early 1986 perform commercially. The advantages are obvious. Perovskites, as the new ceramics are called, exhibit superconductivity at 93K and can be cooled by liquid nitrogen.

With helium costing 30 times more than nitrogen potential savings could be substantial.

These materials show interesting developments and how they develop will influence the way the industry evolves. If, as seems likely, materials operating at liquid nitrogen temperatures become practical propositions then costs will undoubtably come down. The microelectronics market also has substantial growth potential.

It is not just the exotic end of the *industry* that is benefiting from developments in ceramics. Both aerospace and autmotive industries show great but unfulfilled possiblities for advanced engineering ceramics.

These materials, though less exotic than superconducting ceramics, are opening up new avenues of engine design.

According to David Lloyd of the British Ceramic Research Association, the drive is now for processing techniques rather than new materials. While the materials are hard, wear resistant and can operate at high temperatures they are also brittle. Improving the ductility of ceramics is seen as the key to automotive and aerospace applications.

Because of the safety critical nature of aerospace it is the automotive industry that has made the first tentative steps into ceramic components. Penetration of the technology is, however, slow. Although research is being carried out throughout the world, including the UK's DTI/industry initiative CARE (ceramic applications in reciprocating engines), applications are few.

The goal of higher performance engines running faster at higher temperatures is producing some isolated uses, however. In Japan Nissan is using a ceramic rotor in an engine turbocharger and Isuzu has ceramic pre-combustion chambrs in its diesel engines. Porsche, *too* is using ceramic exhaust ports in its 944 engine.

Volume manufacturers such as Ford and General Motors are actively looking at developments but are reluctant to go into production because of reliability implications. A fabrication problem common to both aerospace and automotive applications is joining ceramics and metals together. The different thermal expansions could tear components apart.

No ceramic component has yet appeared in a production aircraft engine. Large scale incorporation of the materals would make it possible to run engines at higher temperatures and efficiencies but the lack of information on predictability and reliability makes this impractical at present.

The driving force behind setting up Britain's advanced ceramic in turbines project (ACT) was to gain better understanding of the behaviour of ceramics. Rolls Royce sees the main areas suitable for ceramic parts as the hot end of the engine, turbines, turbine shrouds and bearings. Before any of these parts can be put into production, closer controlled manufacturing processes need to be developed to give more reliable and fault tolerant components. Fuller understanding is also needed of stress distribution and life prediction methods.

A solution to these problems, plus more ductile materials, will see low stress components, such as turbine shrouds and bearings entering service in five years. Turbines will not be available for a number of years after that. With the current rate of research the technology to make reliable blades will not be around until the mid 1990s.

Ian Bowman

Technical collaboration

Closer links forged

ONE OF the most telling features of Europe's weak competitive performance in information technology has long been its failure to breed broadly-based industrial groups which operated on a genuinely pan-European scale.

While many US companies such as IBM, Motorola and Hewlett-Packard have structured their European businesses on a trans-national basis which has enabled them to maximise efficiency, most of the indigenous European industry has remained severely fragmented along national lines.

Only Philips, the Dutch electronics group, has operated widely outside its home market, though many of its subsidiaries have traditionally limited their operations to the countries in which they were based. Furthermore, when European companies did indulge in takeovers and joint venture arrangements, they were invariable more disposed to do deals with US companies than with partners in neighbouring contries.

Recently, however, there has been a number of signs that the constraints which have long prevented a restructuring of the European industry across borders are starting to loosen. Faced with fierce global competition, mounting development costs and the need to seek access to bigger markets, Europe's electronics companies are suddenly displaying a newfound enthusiasm for mergers and alliances.

The trend has noticeably gathered momentum in the past 18 months, which have seen the following moves:

- The acquisition by CGE of France of a controlling interest in the wide-ranging European telecommunications businesses of ITT of the US.
- The sale of CGCT, the faltering French public exchange manufacturer, to Sweden's L. M. Ericsson and France's Matra.
- The merger of SGS-Ates, Italy's main microchip maker, and the non-military semiconductor operations of Thomson, the large French electronics group.
- The takeover by Olivetti, the highly successful Italian electronics group, of Triumph-Adler of West Germany, the office systems and typewriter maker formerly owned by Volkeswagen.
- The agreement by Philips and Britain's General Electric Company to merge their medical electronics businesses in a joint venture.
- The formation of European Silicon Structures (ES2), a custom microchip company deliberately organised as a trans-European business with no explicit national affiliation and operations spread across several countries.

Mutual suspicion and jealous rivalry between countries have played a big role in discouraging cross-border mergers until now. Political ambitions for "national champion" industries and European governments' and industries' fear of having to accept a position of technological inferiority vis-a-vis their neighbours have kept the doors firmly closed.

The climate was made even worse by the debacle in the mid-1970s of Unidata, a grandiose effort to bring together the computer industries of France, West Germany and the Netherlands in a single grouping with the size and resources to take on IBM and other US competitors head-to-head. It foundered both on the sheer practical difficulty of integrating its diverse constituent parts and on bitter political disagreements over the exercise of management control.

The Unidata fiasco left such a sour taste that almost no further attempts at cross-frontier link-ups in the electronics industry were made for the following 10 years. The only noteworthy exception was the partitioning by Philips and Thomson in the early 1980s of much of West Germany's consumer electronics sector, which was in such dire straits that there was little realistic alternative to foreign takeovers.

Key question

Does the latest wave of deals stand a better chance—and how far will they contribute to improving the competitiveness of Europe's information technology industries? Of all the lessons of the failure of Unidata, perhaps the most important was the hazards—and ultimate futility—of government-inspired mergers whose *overriding objective is simply* to produce big companies with little regard to the markets in which they operate.

Several of the recent transactions, on the other hand, owed nothing to government assessment of opportunities and advantages by companies and investors. This is true of Olivetti's purchase of Triumph-Adler, the GEC-Philips joint venture and the creation of ES2.

As state-owned companies, SGS-Ates and Thomson both required the consent of their respective government for their alliance, which will receive substantial state financial support. Furthermore, they have been obliged to promise that any redundancies stemming from the merger will be divided equally between France and Italy.

However, the primary reasoning behind their move appears to be commercial, and it has been widely applauded by industry analysts. By combining two businesses with complementary product lines and geographic spread under the dynamic leadership of Mr Pasquale Pistorio, the head of SGS the deal is considered to stand a fair chance of creating a group equipped to compete internationally.

By contrast, the sale of CGCT by the French government bears all the hallmarks of a contrived political compromise. The company is financially weak with little proprietary technology, and its appeal to prospective foreign buyers rested almost entirely on its fixed 16 per cent share of French public exchange orders.

A major reason for selling to Ericsson was that it was politically the safest choice. To have picked either of the two other leading bidders, American Telephone and Telegraph and Siemens of West Germany, could have precipitated a bruising row with the national government of the disappointed contender and led to the risk of commercial reprisals.

In a different way, CGE's deal with ITT also points up the chauvinistic obstacles which still bedevil many parts of the European information technology industry, particularly telecommunications. As a US company with operations scattered across Europe, ITT has always been an outsider, untouched by the "national champion" stigma attached to most of its indigenous rivals and there more more accessible to a take-over approach.

As such, the ITT deal offered CGE a unique opportunity to expand into neighbouring markets from which it had long been excluded by monopoly procurement policies. But it also involves a formidable challenge, since the new group inherits several different and incompatible exchange families and a far-flung management structure.

Some critics contend that, having paid such a high price to gain its wider market position, CGE may have little incentive to support efforts to eliminate national trade barriers in telecommunications. However, its emergence may also encourage further rationalisation of the European industry by spurring a renewed search for cross-border alliances among its competitors.

Closer contacts

The recent emphasis on closer technological collaboration has undoubtedly encouraged companies in different countries to establish regular contacts and to seek out areas of common commercial interest. That trend seems set to continue, as the EC pushes ahead with measures to open up its internal market.

On the other hand, however, mergers may not always prove easy to arrange on mutually acceptable terms. Duplication of capacity can also mean that it is hard to find a complementary fit between the activities of rival companies in different countries. Furthermore, few companies are happy about entering mergers from a positon of weakness if they can avoid it.

Nor is any European government ready to sit back and see its most prized "national champion" industries gobbled up by voracious foreign bidders simply seeking to increase their market share. Though commercial and industrial logic is starting to play a bigger role in shaping the structure of the European industry, national self-interest and political sensitivities still lies close to the surface.

Guy de Jonquieres, International Business Editor

European Community programmes

A sample of major projects

Programme	Date	Duration	Budget in ECUs	Emphasis	Future plans
Bep	1982	4 years	15m	Promotion of academic/industrial links; support of post-doctoral training and exchange	Succeeded by Bap
Esprit	1983 (Pilot phase)	1 year	11.5m	Microelectronics, software technology, advanced information processing, office systems, computer integrated manufacture	Phase 2 (5 years)
	1984 (Phase 1)	5 years	750m		
Race	1985 (Definition phase)	18 months	40m	Establishment of a technological base for the introduction of a Community-wide IBCN telecommunications infrastructure and services	Phase 2 (5 years)
	1987 (Phase 1)	5 years	currently being decided		
Brite	1985	4 years	125m	Development of advanced technologies to support traditional industries within the EC	
Bap	1986	5 years	50m	Promotion of research and training and contextual developments in enzyme, genetic and protein engineering	
Comett	1986	4 years	80m	European network of university/industry training partnerships	Phase 2 (3 years)

Source: Claire Shearman, February 1987, in 'European Technological Collaboration' (Chatham House Papers, 36).

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Semiconductor industry

Suppliers running hard to catch up

In THE mid-1980s, the European semiconductor industry passed a watershed. After years of falling further behind the Americans and Japanese, it took stock of its situation and began to move hesitantly towards a new phase of investment and competitive development. One after another, fresh initiatives have since flowed out of both governments and individual companies in the attempt to catch up.

In terms of the sheer size of the industry, it is hard to believe that European companies will ever be able to bridge the gap that has opened up between activity in the region and either the US or Japan. Europe does not boast any single industry which consumes chips at the rapacious rate that consumer electronics achieves in Japan, or data processing in the US.

As a result, the European market is only about half the size of either the Japanese or US, and European manufacturers have less than 20 per cent of total world sales.

Yet while this question of scale has been a serious cause of concern for European countries, anxiety has centred even more on the issue of technology.

Semiconductors are the key element in the development of the electronics industry. They are becoming ubiquitous, spreading into new product areas all the time. They often provide the differentiating factor between the product that is just average and the one that can earn big returns for its manufacturer.

Thus, for any company which wants to compete in the electronics industry on the world scale, the quality of chips at its disposal is a vital issue; and the Europeans have been falling behind in their ability to produce them at the right price and the right quality.

This technological point has been at the root of a significant amount of the new investment in Europe. Many companies are beginning to feel that buying chips in the open market, where Europe is provided with a full battery of US and Japanese suppliers, is sometimes not enough.

Tighter American rules on the export of high technology equipment sent out one warning signal to the user companies, some of which have complained in recent years that they sometimes cannot buy the best technology available.

The trend towards increasingly complex chips has delivered another challenge: the greater the complexity, the more the system producer needs to tailor-make the designs of the semiconductors going into them—and the stronger the arguments for having a thoroughly up-to-date in-house supplier becomes.

Among the main steps taken to address these problems of size and technology in the past few years are the following:

- The collaborative Mega-project agreement between Philips of the Netherlands and Siemens of West Germany for the production of a new range of advanced memory chips. Both companies are subsantial producers and users of semiconductors—Philips is the only European group to figure in the top 10 world chip manufacturers—and both believe that they need to upgrade their technology to maintain a competitive position in the end-product markets—consumer electronics at Philips, and a range of more specialised sectors, such as medical diagnostics, factory automation, and car electronics at Siemens.

In each case, the memory chips programmes are aimed at developing manufacturing technologies that will push the European plants to levels achieved by the Japanese, widely believed to be two years ahead at present.

- The merger of SGS of Italy with the semiconductor activities of Thomson of France. Both of these companies had gone through a period of reconstruction and begun to expand overseas before being put under excessive pressure by the market slump of 1985-86.

SGS, owned by Stet, the Italian telecommunications group, had established plants in the Far East and in the US; Thomson had also pushed into the US with the acquisition of Mostek.

Earlier this year, however, they came to the conclusion that they were not large enough to compete in world markets and merged to create a group with sales of around $800m. This is likely to be as much an aggressive merger as a defensive one; Mr Pasquale Pistorio, head of the joint group, is a convinced advocate of growth.

- Joint research projects under the Esprit and Eureka programmes for bringing European companies together. One example of these is a project between SGB and Thomson, announced last year, for the development of new technology in the ROM (read only memory) chip technology. Both companies have a niche in this market for chips which retain their memory when the power source is shut off.
- A number of similar research projects in the UK under the Alvey programme for stimulating high technology collaboration. These have been aimed particularly at pushing UK companies towards one micron technology—the technique of reducing the geometry in the etching on the face of the semicondutor to one micron—or one thousandth of a millimetre—and below.
- The launch of ES2, a new pan-European start-up group which aims to make semi-custom chips in limited volumes but with rapid turnaround times.

European companies claim that these developments have made an impact over the past two to three years in stopping the industry's slide: in the semi-custom area, in particular, they believe that they are competitive in some products with the best in the world.

Even so, the vast bulk of European manufacturing is still running hard to catch up. Siemens, for example, says that it remains about two years behind the Japanese in manufacturing technology, and still requires a lot of good quality chips from its wafer fabrication plants.

Some producers believe that they may be helped to recover further over the next decade or so by the unmistakable trend towards semi-custom chips and away from standard products. European groups have always been strongest in the specialised component market as opposed to the large volume, commodity-type products where the Japanese, in particular, have made their mark: this is the field where Plessey and Ferranti in the UK, for instance, have established a strong international position with some devices.

Terry Dodsworth, Industrial Editor

Struggle to apply more advanced manufacturing systems

Big obstacles to be overcome

EUROPEAN MANUFACTURERS live in a competitive climate so hostile that they have to work ferociously just to stay still. Despite Europe's size, its manufacturers face obstacles which are absent from the home markets of their dominant competitors in Japan and the US — fragmented markets; differing cultural assumptions; different standards; border delays easily made worse by industrial action and various other restraints on trade.

Recent years have seen a renewed determination among European companies to overcome these obstacles, to develop global markets and to take greater but more cautious advantage of available and potential advanced manufacturing technology, (AMT).

The chief symptom of this is the proliferation of cross-border collaborations among European AMT users and vendors. These collaborations have flowered under the European Strategic Programme for Research and Development in Information Technology (ESPRIT). In some cases, the work done in ESPRIT has been taken up in the Eureka project, which began as a European answer to the US strategic defence initiative.

Two projects illustrate concerns that European manufacturers are trying to address. Esprit project 955 is the Communications Network for Manufacturing Applications, (CNMA).

CNMA highlights the growing importance of data communications in manufacturing operations. Many companies now design all their new products on computer-aided design (CAD) systems.

Some use their CAD systems to provide the data which drives machine tools: computer-aided manufacturing (CAM). Most companies have a computer-based scheduling system and use other computers to keep track of stocks and for other functions.

Such users now realise that, however cost effective these systems are individually, their efficiency is much greater if they can all be linked up to form, effectively, a large distributed database.

An integrated system can communicate with the stock control system, to find out which of a product's constituent parts the company already has, and with the purchasing system, to order automatically the parts it does not have.

Similarly, each time a designer makes a change, the CAD system can inform all the other factory functions affected by the change as soon as it is made. This way time is not wasted on work that will not be needed. Better still, the links can extend to suppliers so that they too keep up to date.

This development has two implications. The first is that all the systems in a manufacturing operation must communicate. The second is that they must do so regardless of who supplied each separate system.

In practice, this means that vendors have to develop and adhere to standard communications networks. Through CNMA, Europe is playing a key role in formulating these common manufacturing communications and interfacing standards based on the General Motors Manufacturing Automation Protocol (MAP).

CNMA's participants include British Aerospace, which is the prime contractor, BMW of West Germany, Aeritalia, Peugeot, Bull, GEC, ICL, Nixdorf, Siemens and Olivetti. The techniques these companies have developed are being demonstrated at British Aerospace's Preston factory.

The second project, approved for Eureka last December, is Famos, an international project to develop and demonstrate generic flexible automated-assembly systems for particular applications. Famos began as a multi-national effort to make it unnecessary for each European company in electronics, textiles, pharmaceuticals, cars, aerospace and other industries to duplicate the development of specialised flexible automated assembly systems.

If an assembly system can be used in one shoe company, for example, it can be used in another: why should two shoe companies each spend inadequate sums in developing a second rate assembly system when together they could develop an ideal answer?

Famos seems to have developed since its inception. Mr Graham Helliwell, Famos UK resource team leader at consultants Taylor Hitec, says one of Famos's key roles will be to provide a database for the solving of common problems.

In many cases this will involve collaboration between companies in similar industries, say domestic appliances. Such companies have common problems which they may not be able to solve by themselves but to which they could find collective solutions without compromising their mutual competitive positions.

Other collaborations involve mutual problems in contrasting industries: one example Mr Helliwell gives is turbine blade manufacture at Rolls-Royce and the manufacture of lipsticks. The link is wax: Rolls-Royce makes the blades by the "lost wax" or "investment casting" process. This involves using wax copies of a product to copy the features of a master mould into mould sand. The lipstick maker's product has to be perfectly free of blemishes. So both the turbine-blade maker and the lipstick manufacturer need similar vision techniques to spot blemishes in wax.

The key feature of both these projects is their practicality: they concern real factories making real products. But Europe is far from out of the manufacturing wood. Japan long ago instituted a strategic approach to encourage its industries to flourish. The US has set up a massive system of outdoor relief for its automation companies under the auspices of the Department of Defence.

There is no sign of any such Europe-wide strategic approach. Indeed, the UK's persistent vetoes of the European framework budget that funds Esprit show how much damage national obstinacy can do. Britain's veto meant that all the Esprit work ran out of money before the second phase of Esprit could begin.

This is particularly bad news for the computer-integrated manufacturing research in Esprit. CIM accounted for Ecu 180m of the Ecu1.5bn total budget for the first phase of Esprit, now ended. But Ecu 600m of the Ecu 2.2bn in Esprit's second phase is earmarked for CIM.

When Esprit began there were signs that some technocrats who went to the US years ago were returning to Europe, especially Germany. The teams they joined have already begun to split up. Some of the technocrats are drifting back to the US, taking their Euro-funded expertise with them. Those left behind are convinced that handing the fruits of Esprit resarch to the US is an odd way to beat US competition.

John Dwyer

The writer is editor of FinTech 4, Automated Factory, a Financial Times Newsletter.

Production profile: Volkswagen

Robots set the pace

DOZENS OF swift-moving robot spot-weld thousands of car roofs and frames together in a flash of sparks to produce the 3,500 Volkswagens made daily at Wolfburg, Wet Germany.

As a big volume car producer, with some 13 per cent of the European market, Volkswagen's move to automated production has received fresh impetus from the trade unions recently winning a 37-hour working week starting next year, and the need to keep up with lower-wage competitors.

VW opened its sprawling state-of-the-art computer-controlled robot-equipped assemby lines in Hall 54 in 1983, when its second-generation "Golf" car was introduced. The total investment amounted to DM 2.1bn.

In addition to the classic application of spot-welding, the robots in VW's Hal 54 also initial brake lines and lift heavy batteries and spare tyres into the body shells. In short robots eliminated all the "back-breaking" overhead work once common to automobile assembly lines. About 25 per cent of the final assembly of a "Golf" is automated, according to Mr Heinz Wischkony, director of Volkswagen's central production controls section.

VW recognises that gaining the benefits from modern computer-controlled production lines requires more than just buying the right kind of machinery and computer. Key factors benefiting Volkswagen's automation are West Germany' traditional apprentice-master training programme, and the trade union's concern that their company stays internationally competitive.

"The majority of our workers know automation is necessary to reduce costs and thus stay competitive," said Mr Wischkony. And Volkswagen's Vocational Training division has 4,300 apprentices learning the skills necessary to operate its new equipment.

"VW's trade union officials insisted upon experienced workers being retrained in electrical engineering and microelectronics so they could keep up with the company's automation plans.

The promises of computer-aided manufacture (CAM)—lower unit costs through faster machines and increased productivity from fewer workers—are the staff of car manufacturers' dreams. But Mr Wischkony, the former director of VW's factory at Emden in northwest Germany, also knows the reality of the factory floor can force changes.

"The promises of (automated) machinery manufacturers are often very big. But they are also sometimes a long way from what you can get to work on the shop floor," he said.

When Volkswagen first started using industrial robots in 1972, they were developed by the company's own engineers. Today Volkswagen has between 400 and 500 computer systems analysts, 120 of them working solely on production systems.

The next major automation project planned by Volkswagen is at its Emden factory. It will be converted at a cost of DM 1.2bn (£415m), to produce a new VW two-seater sports car, according to recent press reports.

"Flexible automation is the trend, and the goal of all automobile producers: It is a question of how intelligent you make it, of how adaptable it is. Robots should be able to build everything between a Mini and a Rolls Royce," suggests VW's production control expert.

Dennis Philips

Space capabilities

Headaches for the Ariane team

WESTERN Europe's space capabilities will come under the spotlight later this year when engineers in charge of Ariane, Europe's satellite launcher, attempt to break a dismal sequence of failures for the West's launch vehicles.

Flights of Ariane, which was developed by the 13-nation European Space Agency and which is sold by Arianespace, a commercial consortium of aerospace companies and banks, have been suspended since May last year.

On that occasion, the 18th Ariane mission ended in disaster after a third-stage motor fault led to the destruction of the satellite the rocket was attempting to carry into orbit for Intelsat, the international telecommunications organisation.

Engineers have traced the problem to a fault in a small igniter, about the size of a kitchen tumbler, in the motor. It is thought that misfirings involving the same family of igniters may have been responsible for at least two of the three earlier accidents suffered by Ariane launchers since the Ariane programme started in 1979.

Last May's mishap followed a series of other launcher accidents last year involving US space vehicles, the most serious of which was the Challenger space shuttle disaster of January 1986, which killed seven people.

The long delay in Ariane missions—which has been taken up with a series of exhaust tests to correct design failings in the third-stage engine—have been justified by the requirement to minimise the chances of the 19th flight being anything less then a success.

After last year's accidents, it is argued, a failure on this occasion, which has been tentatively earmarked for European telecommunications administrations and the Australian government, would damage the West's space industry irretrievably.

Besides the Ariane delay Western Europe's fledgling space industry has had plenty of other things to worry about over the past year. These chiefly concern the protracted impasse in the negotiations between European governments and the US over the shape of an ambitious plan to build an international manned space station in the 1990s.

Although the governments had been due to reach agreement on the isssue by the end of last year, they are still some way from coming up with a common approach both to building and operating the base.

The problems illustrate just how shallow are the foundations for Europe's space industry as a whole. On the one hand, progress in the Ariane programme—the most visible single segment of all of Euroe's space activities—is being held by the type of technical difficulty that, in the case of the car business, was solved around the time of the Model T.

On the other hand, hopes of significant future advances in the industry rest almost entirely on governmental agreements, related to the space station and to other projects, which are wholly political in nature.

Governments have a large stake in Europe's space programmes. Virtually all the cash spent in Western Europe on funding extraterrestrial projects such as satellites—this adds up to some \$2bn a year, of which a little more than half is spent throughh ESA—is contributed by taxpayers.

This is little different from the US, where the space industry depends for its customers largely on the National Aeronautics and Space Administration and the Department of Defense, which between them spend some \$20bn a year on space activities.

In the case of the US, private sector communications companies such as Western Union, Hughes Aircraft and GTE also fund the purchases of satellites; up to now, the private sector in Europe has played only a small part in funding such projects.

Out of ESA's spending, four programmes account for roughly four-fifths of the total spending. Two of the programmes encompass further developments of Ariane, notably the plan to build Ariane-5, a heavy-duty form of the rocket which would see service in the 1990s, and a scheme to build Columbus, a manned space laboratory which would plug in to the main US core of the proposed international space station.

The other two projects relate to satellites for taking pictures of the earth's surface (remote sensing) and to the development of telecomminications satellites. An example of an ESA-funded telecommunications vehicle is Olympus, for which British Aerospace is the main contractor and which is due to enter orbit in 1989.

ESA is also considering a plan to build Hermes, a French-inspired mini space shuttle which would sit on top of an Ariane-5 rocket and take astronauts into space. By the end of the 1990s, Hermes could be in use in ferrying crews to and from Columbus.

A decision on whether to go ahead with Hermes, together with similar decisions setting out the details over the development of Columbus and Ariane-5, is due at a special ministerial meeting of ESA schednled for the autumn.

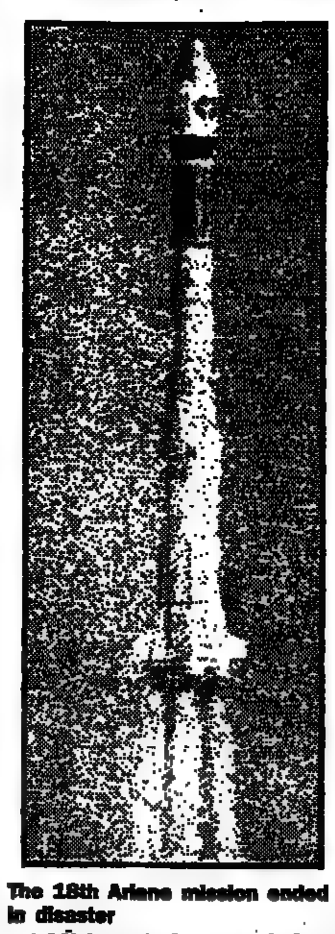
Large-scale government funding of space projects in Western Europe is founded on two main factors. First is the strategic importance of space projects, both in military and economic terms.

Civilian and military space programmes overlap considerably by using similar technologies. Companies like Aerospatiale of France, British Aero space and Messerschmitt-Boelkow-Blohm of West Germany, which are among the biggest beneficiaries of government spending on the civilian aspects of space, are also heavily involved in defence-related space programmes.

From a purely economic standpoint, one of the prime reasons for the start of the Ariane programme was that France, the main force behind Ariane and Western Europe's biggest funder of space activities, feared that the US Government might refuse to let US vehicles launch Euopean satellites on the grounds that the latter might take business away from American communications companies.

As a second main reason for involvement by European governments in space activities, they see these ventures as a highly visible example of the kind of high-tech projects that can bring general benefits to a country's economy.

Funding such programmes, it is hoped, will help both the establishment of a strong industry in selling space-related goods and services and also the development of a range of technologies in areas such as electronics, telecommunications, software and materials that will be important in other sectors of business not concerned with the space field.



The 18th Ariane mission ended in disaster

Success with regard to this second factor is still, in Europe, more apparent than real. The world industry in space launchers is expected, for example, to add up to a business worth no more than about \$1bn a year by 1990, which is small by most commercial standards.

There is little doubt, however, that space activities will become increasingly central to most people's lives—chiefly as a result of the growing importance of satellites for telecommunications, and for other jobs such as forecasting the weather and obtaining images of the Earth for use in applications monitoring crop growth.

As a result of this, governments in Europe are generally confident that their support of their countries' space industries will pay off—if not in the short-term—then at some time in the next century.

Peter Marsh

Aerospace research has big spin-off benefits for other industries

Breaking new barriers

AEROSPACE has long been a "spearhead technology" industry, in which the constantly increasing demands in both civil and military markets for ever-enhancing performance at low cost, have generated a never-ending search by designers and manufacturers for new materials, new techniques of design and production, and even for new techniques of flying.

This is even more evident today than ever before, and the demands of aerospace are spreading ever-wider across other industries, such a ceramics, glass, metallurgy and electronics, so that many of the advances in those industries in turn are generated directly from meeting the demands of aerospace itself, to the long-term benefit of many other users of their products.

This is true across the entire world aerospace industry, and although the massive US industry, with its bigger home civil and military markets and much larger research and development budgets, is often able to afford more ambitious research, design and development programmes than are possible elsewhere, the European aerospace and associated industries have often achieved, and still are achieving, comparable advances in technology at much lower cost.

Materials technology in particular is one such arena. Composite materials of various kinds, such as carbon-fibre reinforced plastics, have long been used in aerospace, but in recent years their development has been accelerated as aerospace designers have called for even stronger, lighter and cheaper materials that could be fashioned into ever more complex shapes.

The European A-320 Airbus, now undergoing development flying prior to entering service next spring, is the first airliner in the world to enter series production with a weight-saving carbon-fibre fin and tailplane.

Similar changes have been taking place in the metals arena, in which European industry has played a leading role in the development of new materials for aerospace.

This is especially the case with aluminium-lithium, or Al-li, developed in the UK by British Alcan Aluminium in conjunction with the Royal Aircraft Establishment, Farnborough.

Aluminum-lithium is around 10 per cent lighter than conventional aerospace alloys of similar strength, but since it is also stiffer than conventional alloys, it can actually offer total savings of 15 per cent or more in the structure weight of aircraft designed from the outset to take full advantage of its properties. The forthcoming European Fighter Aircraft (EFA) will be the world's first production aircraft to use the new alloy in its primary structure.

Lital is the world's first successful aluminium-lithium alloy developed by British Alcan Aluminium, and now being produced on a routine basis. The standard alloy is called Lital A, but the company is now developing Lital B, an even stronger alloy currently undergoing final production and service tests in Alcan's facilities, and when available it is likely to be substituted for Lital A on production of EFAs on a part-by-part basis.

Lital B is currently the subject of a collaborative test programme with British Aerospace in preparation for commercial production.

Another alloy in this series, Lital C, is a "damage-tolerant" version, which is considered to be of special interest to commercial aircraft designers.

In order better to promote this and other metals developments, British Alcan has set up a specialist company, Alcan Aerospace, to direct the marketing effort of all the group's companies involved in aerospace. At the same time, British Alcan is expanding its own production facilities to meet the growing demand for the new material.

Substantial progress has also already been achieved in Western Europe in the field of avionics (airborne electronics), which is now developing more swiftly than any other aspect of aerospace technology. The use of electronics in civil and military aviation and in space activities is widening all the time, while at the same time the demands for ever-increasing performance at lower cost are also accelerating in scope and intensity.

Advances in this vast field are thus frequent and widespread, and can be exepected to continue, but some significant new developments have emerged in the recent past which will have far-reaching impacts on the whole future of aerospace itself.

"Fly-by-wire," or the ability to control the manoeuvres of an aircraft in flight through the use of computers and electronic signals to replace the former metal achieved, initially in military aircraft (such as the British Aeropace Experimental Aircraft Project or EAP), but now also moving into commercial aircraft, with the A-320 Airbus the world's first airliner to use this system as standard.

Computer-driven fly-by-wire controls bring increased safety, as well as significant savings in weight and maintenance costs. They protect the aircraft against stalling, flying too fast and manoeuvres that would cause damage, giving pilots a greater margin of safety in emergencies such as windshear (severe and hazardous downdrafts of air often associated with thunderstorm conditions), as well as reducing pilot workloads in normal operations.

The A-320 Airbus is also the world's first airliner to use the full potential of TV-like cockpit displays, integrating information previously shown on separate arrays of dials into what are called electronic flight information systems (EFIS) and electronic flight management systems. With these screens, and their associated push-button panels, pilots can monitor and control the myriad details of their aircraft's performance by the push of a button.

The immediate results of these developments have been to improve the entire configuration of an airliner's flight deck, removing much of the past clutter, and giving the pilot more room and comfort in which to work, while also making his task much easier.

A further development in this field is what is called the "flat-panel" display, whereby even the screens themselves are being improved to the point where they can be made smaller in size and able to convey a much greater array of information.

Power-plant technology is another arena in which much work is also being done in Western Europe. Turbo-fan (jet) engines are being refined to a new high-pitch of performance through such civil engines as the big Rolls-Royce RB-211-524D4D, already capable of producing 58,000 lb thrust, and now to be pushed higher to 65,000 lb and above through a new version, the RB-211-700, while in the military field, the new EJ-200 from the Europet consortium for the European Fighter Aircraft will carry military power-plant technology to a new pitch of refinement.

For the future, much work is led the "ultra-high by-pass engine," or UHB concept. These engines come in different designs, and have different names, but fundamentally all UHB engines employ the same principle of channelling a much larger quantity of cooler air round the hot core of an engine, to mix with the hot gas exhaust and thus generate increased propulsive efficiency.

The US General Electric GE-36 "prop-fan" engine, in which Snecma, the French engine manufacturer, has a substantial share, is a UHB engine, as is also the US Pratt & Witney/Allison "prop-fan," both using the power generated to turn large counter-rotating propellers mounted aft of the engine.

Although further ahead with development engines than Western Europe, the US has no monopoly of UHB technology, for Rolls-Royce has also done much work in this field, and has several designs for large-scale UHB type power-plants which it could build for service on large Jumbo-type aircraft in the mid to late 1990s.

Rolls-Royce is currently running a development programme of its own to demonstrate the validity of its concepts in the UHB arena, and it is expected to take a decision on a specific engine programme some time before the end of this decade, depending both on the results of its own technical research programme and market studies into the acceptability of such new engines among the airlines.

Rolls-Royce says that it views the prop-fan type of UHB as "an uncertain development due to the risk of excessive noise and vibration and concern about airworthiness"—a statement with which GE of the US and both Boeing and McDonnel Douglas disagree—but the UK company adds that it is "creating the technological base that would allow it to participate in such new generation engines, and long-term airframe developments are being discussed with Boeing, McDonnel Douglas and Airbus Industrie."

Looking much further ahead in the field of military aero-engine technology, Rolls-Royce is studying new propulsion techniques that could be employed in the future development of a supersonic vertical take-off fighter to succeed the Harrier.

Michael Donne
Aerospace Correspondent

The European Fighter Aircraft, a multi-national collaborative venture involving the UK, West Germany, Italy and Spain, is expected to be given the formal go-ahead later this year. It will embody much advanced technology, ranging from new materials processing and production techniques to new ways of flying

Military aerospace

Aircraft for the next century

FOR SOME years' the most significant international military collaborative venture in Western Europe has been the Anglo-West German-Italian Tornado multi-role combat aircraft, in terms of numbers, costs and technological complexity.

Eventually, it is expected that over 1,000 of these aircraft will be built, taking into account the 800-plus initially required by the three nations directly involved, together with additional procurement for new tasks and to replace in-service losses, as well as exports, which are still expanding.

Although production has now passed its peak, Tornado aircraft seem likely to continue to be built through to the end of the century, while the provision of support services for aircraft in service will continue to provide work for the European aerospace industries well into the next century.

The Tornado is still regarded as one of the most advanced combat aircraft of its kind in service on this side of the Atlantic, and undoubtedly its design and development generated major advances in technological capabilities across a wide spectrum of aerospace and other industrial and scientific disciplines.

Now, it is about to be overtaken by some even more advanced military aircraft, which in their turn have already generated yet further advances in technological capabilities that were not even dreamed of at the time of the Tornado's own creation.

These new aircraft are the Anglo-West German-Italian-Spanish European Fighter Aircraft, or EFA, and its direct rival, the French Dassault-Breguet Rafale.

The prototype of the Rafale was demonstrated in flight at the recent Paris International Air Show, in competition with what is called the Experimental Aircraft Programme, or EAP, which is in effect a "technology demonstrator" for what will eventually be the European Fighter Aircraft itself.

The debate about the relative performance capabilities of these two aircraft will doubtless continue for months, but the fact emerged clearly that in both Rafale and EAP/EFA, Western Europe is now evolving two formidable advanced military combat aircraft that will be able to rival the best the US and the Soviet Union can offer when they enter service in the early to mid 1990s.

Both Rafale and EAP/EFA reflect the latest in the technological state-of-the-art in military aircraft design and development.

The stringent demands that their performance requirements in flight and combat are making on the scientists, engineers and technologists have resulted already in the development of new stronger and lighter materials, such as carbon-fibre composites, and new metals such as aluminium-lithium.

They have also resulted in the emergence of new computer-aided design and manufacturing techniques, including the extensive use of robotics, as well as the development of new "avionics" (airborne electronics) systems, even going so far as what can be termed "new ways of flying"—such as the use of computers to control the normal in-flight manoeuvres of the aircraft—a technique now generally referred to as "fly-by-wire."

Indeed, the very development of the Experimental Aircraft Programme of EAP itself in the UK over the past three years or so indicates just what the aerospace industry of the UK has been involved in with this new venture.

A single-aircraft programme, with only one flying model built, and initially financed solely by the industry (primarily British Aerospace, Rolls-Royce and the equipment manufacturers), and only subsequently partially funded by the Ministry of Defence, the EAP had achieved its purpose as soon as it had made its successful maiden flight last year.

It was, and is, a "demonstrator," designed to bring together in one flying machine all of the new technologies mentioned above, thereby proving that they not only are viable technologies individually, but also that they can be combined successfully in one advanced aerial test-bed, and thus also in an eventual combat aircraft itself.

This is what is now happening. While the EAP itself will go on flying, helping to prove the concept of the even more advanced European Fighter Aircraft itself, the latter is moving into preliminary engineering in anticipation of a full-scale go-ahead later this year from the four European Governments involved.

Some nine prototype or pre-production EFAs will be built, progressively taking over around the end of this decade from the single EAP, which by then will either become redundant or go on being used as an experimental flying test-bed for other elements of the EFA programme.

Currently, up to 800 EFAs are expected to be built, but like the Tornado, this figure is expected to grow, with exports and the requirements of other countries yet to enter the programme also to be taken into account.

For the four-nation Eurofighter group specially set up to control the EFA venture is already discussing the possible participation of other countries such as Belgium, Holland and Denmark, and it is hoped that before the end of this year one or more of these nations will have joined the group.

But there is considerable competition. The French Dassault Rafale itself is just as much an advanced fighter concept as the EFA, and although at present there are no other countries involved in it, the possibility of such collaboration cannot be overlooked. Indeed, the French Government is just as anxiously wooing the Belgians, Dutch and Danes as are the EFA nations, and the outcome is far from clear.

Whatever happens to widen the two rival consortia, however, the fact remains that with these two military aircraft, not only has the entire concept of aerial combat been taken a significant stage further, but that their development has generated, and is continuing to generate, a revolution in aerospace technology.

During the coming years, these new developments can be expected to be further refined, and progressively to filter through from the military side of the aerospace industry into the civil side, and then through to other industries, especially those making extensive use of new materials and electronics, with the result that the substantial sums spent on the military aircraft will have a widening "ripple effect" affecting many other companies and products far removed from aerospace.

Michael Donne, Aerospace Correspondent

Defence electronics

Uncertainty over future growth

THE ELECTRONICS industry has benefited mightily in terms of sales and profits from European defence budgets over the last few years. It is electronics that have made weapon systems more "intelligent" capable of working out options when attacking a target; and electronics have equally been called to the task of defending these targets, second-guessing the attacker and working out counter-measures.

Expenditure in Western Europe has mainly been centered on UK, France and West Germany, with the first two countries very much in the lead—the UK alone invests about £2.5bn a year in defence electronics.

In France, the industry is heavily concentrated in the hands of Thomson, the electrical group which is also deeply involved in the avionics and missiles businesses; other companies include Dassault and Matra.

The leading contractor in West Germany is AEG, the electronics group which has recently been acquired by Daimler Benz, while, in the UK, manufacturing is much more fragmented.

GEC, Plessey, Racal, Ferranti and Thorn EMI all have a sizeable role in the UK industry, although GEC, with revenues of £1.5bn in the defence sector, has by far the biggest stake in this area of electronics.

Up to now, these companies have kept Europe well to the fore in defence electronics, although with Japan quiescent in this area, the competitive position has been largely measured by reference to the US. European companies have won big orders in radar, battlefield radio products and avionics—indeed, GEC has built up a significant operation in the US with its aerospace electronics systems, notably its head-up displays, which project images on to the windscreen in front of the pilot.

In common with other parts of the military establishment, however, defence electronics is now entering a period of uncertainty over future growth. There are questions about the likely trend in exports, one of the main areas of expansion for the industry in recent years, and over the level of domestic Government commitment.

At the same time, the industry is having to think more seriously about structural change, as the price of new developments escalates continuously, making it increasingly difficult for companies to go it alone.

The problems posed by stagnating export markets were demonstrated in the mid-1980s in Thomson's result, which were virtually static because of the reduction in defence spending in the Middle East.

Similarly, in the UK there have been a series of cutbacks by companies that had established a high level of activity in Opec countries, particularly in the area of radio technology. The levelling out of defence expenditure in the US is equally casting a shadow over what has recently been an area of strong expansion.

Reductions in military budgets, or at least attempts to keep costs stable after a period of rapid escalation in expenditure, are also beginning to make an impact in Europe.

Estimates suggest that the funds going into defence electronics in the UK, for example, will go down in real terms over the next few years—from £2.50bn last year to £2.44bn in the current 12 months.

These market issues are one side of the pincer movement which is now beginning to press in on the defence business and pose questions of structural change.

The other element in the squeeze is coming from the escalating cost of electronics, which is now beginning to put some programmes beyond the reach of individual international companies, in the same way that aircraft development has escalated beyond the funding ability of many individual companies or individual countries.

Exposure to these pressures is accentuated by the longstanding weakness of European companies in relation to their much larger American counterparts—an inherent problem that was underscored by the fiasco over the British Government's cancellation of the Nimrod early warning aircraft project in favour of the US AWAC aircraft, which was felt to have superior electronics.

One response to this issue of scale has been to create larger companies, which the French have done by concentrating the country's defence electronics largely in Thomson. The proposed takeover of Plessey by GEC in the UK would have been a step in the same direction, but was scuppered by the Ministry of Defence on the grounds of maintaining competition—a decision which has been treated with astonishment and ridicule in France.

Indeed, the UK authorities are pushing towards cross-frontier collaboration, particularly in the area of new radar systems. Under these schemes, a national competence will be retained in defence procurement as opposed to abandoning manufacturing in certain sectors and buying in the open market, but the technology will be shared with chosen foreigners.

These moves raise questions of the need to maintain a domestic defence equipment industry for strategic purposes, and the value of these industries in the general economic health of the country.

It is often argued that the industry is a significant strength for any country because it is repository of knowledge and research and development in an exotic discipline. The nation not only benefits in jobs and the impact on the general level of economic activity, but also from the development of new techniques which can be used outside the military area.

This notion of technological leadership, however, is now beginning to come under attack. Some academics argue that the emphasis on defence electronics tends to undermine the commercial electronics sector by drawing off the best scientists and research workers.

The diffusion of new technology from the defence business, they contend, is also very slow and inefficient, partly because there are no simple mechanisms to do it, and partly because military technology is often so specialised that spin-offs into everyday products are now hard to find.

In Britain, in particular, these charges have led to suggestions that the Government's research and development expenditure should be trimmed back in defence areas and redirected into non-military applications.

There are indications that the Government is looking at this issue and that it may launch an attempt to extract more from research and development spending on defence as part of a revision of the national research budget now being considered in Whitehall. But how this might affect electronics is hard to tell.

There is little question in the industry that Government expenditure on the sector is set to stagnate for a while; but many doubt that significant cuts will be achieved at a time when electronics is still seen as the best way of outsmarting antagonists which have much greater raw fire power.

Terry Dodsworth

In army field equipment, radio counter-measures have a high priority in research and development

Nuclear industry

Pursuit of joint objectives

"THEY DON'T talk about their technical problems any more. They talk about their political problems," said Mr John Collier, chairman of the UK Atomic Energy Authority, interviewed after a meeting of the European Atomic Energy Society in Portugal in June. His comment relates to reactors already up and running rather than those still being designed.

Mr Collier led the British delegation to a private scientific meeting which reviews Europe's progress in nuclear technologies, current and future.

On current systems, Britain had been alone in having to report troubles with its advanced gas-cooled reactors, which persistently under-perform. Other nations adopted light water reactors long before Britain, and were able to report that their commercial systems were now performing. In his own words, "disconcertingly well."

In future nuclear technologies, Europe has two main strands of research and development, each involving a major collaboration, albeit of different kinds because of fundamental differences in the timescales involved.

Fast reactor

The fast reactor system, designed to burn fuel too lean in its fissile isotopes for the current kinds of thermal reactor, has been a goal of reactor development since the 1940s. For Britain, says Collier, the advent of the commercial fast reactor will mean a return to net independence from energy imports, lasting this time for hundreds of years rather than just a decade or so, because of the reserves of "depleted" uranium already stockpiled in Britain.

Until the 1980s the fast reactor was pursued mainly as a national objective by Britain, although Europe has a five-nation collaboration to build SNR-300, the 300 Mw prototype close to completion in West Germany. Then the Inter-government Memorandum of Understanding of January 1984 began a new phase of European nuclear collaboration.

Five countries—Belgium, France, Germany, Italy and the UK (and the Netherlands in principle)—agreed to a phased research, development and design programme.

The initial aim of this programme was the design and construction of three big demonstration fast reactors, Euro 1, Euro 2 and Euro 3. It was hoped that the third would be a demonstration of a common European design acceptable for series ordering by Europe's electricity companies.

Although final texts of agreements that formalise the fast reactor collaboration still await signature, the five have already fused their R and D programmes into a single programme spending about £300m a year (although this should be less this year). They have broadly agreed who pursues which of the present problems or projects, and thus made the national programme highly inter-dependent, Mr Collier says.

"It is working very well indeed," he believes. Mr Robert Lallement, responsible for overseas collaboration with the Commissariat a l'Energie Atomique, is secretary of the joint European reactor R and D steering committee.

The secretariat is based at Cadarache in south-east France, centre of French fast reactor R and D, and includes an executive from each of the partners. Collaboration is organised through a series of working groups known as AGTs, each responsible for a technical area such as safety, fuel and sodium technology.

In addition, there are liaison agents who work on the one hand directly to the heads of the national programmes, and on the other to the design companies, forging close links between design and the new

Mr John Collier, chairman of the UKAE, dealing with shifting perspectives of commerce and politics

research it inspires.

As Collier sees it, the programme is "primarily, though not exclusively, design-led." In other words, it is resolving problems raised by the engineers, not pursuing the whims of the scientists.

Of 139 "work packages" identified for the Euro 1 and Euro 2 projects, 82 have been approved by the partners. Preparations are also well advanced to change fuel pin production for Britain's prototype fast reactor at Dounreay from the factory at Sellafield to the bigger French fuel factory at Cadarache, in 1988.

As Mr Collier sees it, however, commercial and political perspectives on the fast reactor have been shifting since 1984 when the club first convened. What then was seen as a phased series of three demonstration reactors have been merging both in design concept and timescale to the single project on the timescale of Euro 3, namely construction starting in the early 1990s for completion around the turn of the century.

Euro 3 would then embody the best design features from all three conceptual designs today, much as the Anglo-German-Dutch gas centrifuge projects have fused over the past 17 years to yield a common advanced centrifuge system accepted throughout the Urenco organisation.

Fuel development for the fast reactor has also progressed at an impressive pace, with the target "burn-up" — the amount of energy which can be extracted without risk of fuel failure — increasing steadily from an original 7.5 per cent to a current 20 per cent.

"It means enormous savings on fuel cycle costs," say observers. Just how close they could come to the fuel costs of current thermal reactors will be cleared when the UK AEA completes its study for the Central Electricity generating Board of comparative costs of the pressurised water reactor, the AGR and the fast reactor, around the end of this year. The findings could be crucial in helping Europe's electricity companies to decide just how heavily they should invest in the fast reactor in the 1990s.

Fusion research

Controlled nuclear fusion could provide a new long-term source of energy, from fuels which are readily available. Deuterium can be separated from water, and tritium can be made by nuclear transmutation of lithium.

Under the right conditions these two fuels react to release energy by a simple by product, helium, an inert and non-radioactive gas. Moreover, there can be no risk whatever of a runaway fusion reaction.

These and not scientific knowledge are the incentives for pursuing research into nuclear fusion. On the debit side stands the immense technological problems already revealed by four decades of research since a British physicist, Sir George Thomson, proposed the idea of a torus wrapped in magnetic

The central control room in the Heysham nuclear power station

fields as a "bottle" that might contain such a nuclear reaction.

Four decades of research, have still not brought this reaction to the stage reached by nuclear fission when Fermi demonstrated his famous Chicago "pile" in 1942. The combination of time, temperature and plasma density required to sustain the reaction has still not been attained. But what has been learned is how costly it must be to produce the reaction conditions compared with those needed for, say, a fast reactor.

So fusion is on a quite different timescale from the fast reactor. Big fusion machines such as Europe's 1,700m. Joint European Torus (JET) project near Oxford consume energy prodigiously to yield just a few kilowatts of nuclear heat.

JET is not a reactor but merely an experimental rig, flagship of the Euratom Fusian Programme which united 14 European nations—the 12 EC countries plus Sweden and Switzerland—in a common scientific goal. This goal is to show whether or not controlled fusion is scientifically feasible. Even this goal may not be reached in the 20th centry.

JET, adjoining the UK AEA's own fusion research centre at Culham, still has several years to run. It has been built and demonstrated very successfully—in Mr Collier's view it is one of Europe's biggest collaborative success stories, comparable with the CERN programme in high-energy physics. Its reaction conditions are slowly but steadily being raised.

He believes firmly that JET should be allowed to run to completion of the agreed programme, currently seen as 1992. As he sees it, the big question for Europe hangs not over JET but on whether Europe should have a successor.

Europe has already assembled a team of fusion physicists at Garching in West Germany to plan the "next European torus" (NET), long before the final performance of JET has been reached. NET is shaping up as a truly gigantic experiment, costing upwards of £11.5bn. If successful, it may reach the conditions required for a self-sustaining fusion reaction—the equivalent of Fermi's pile.

JET would still not be a demonstration fusion reactor, generating electric power. That would require another big project, currently code-named DEMO, reaching well into the next century.

The Euratom Fusion Programme is organised as a series of overlapping five-year programmes, reviewed every three years, and embracing JET, the national fusion centres such as Culham, and the EC's Joint Research Centre at Ispra in Italy.

Almost all of the research in Europe is focused on the magnetic "bottle" approach to fusion, exemplified by JET, although also including alternative shapes to the torus, such as the "twisted coils" of the advanced stellarator under construction at Garching.

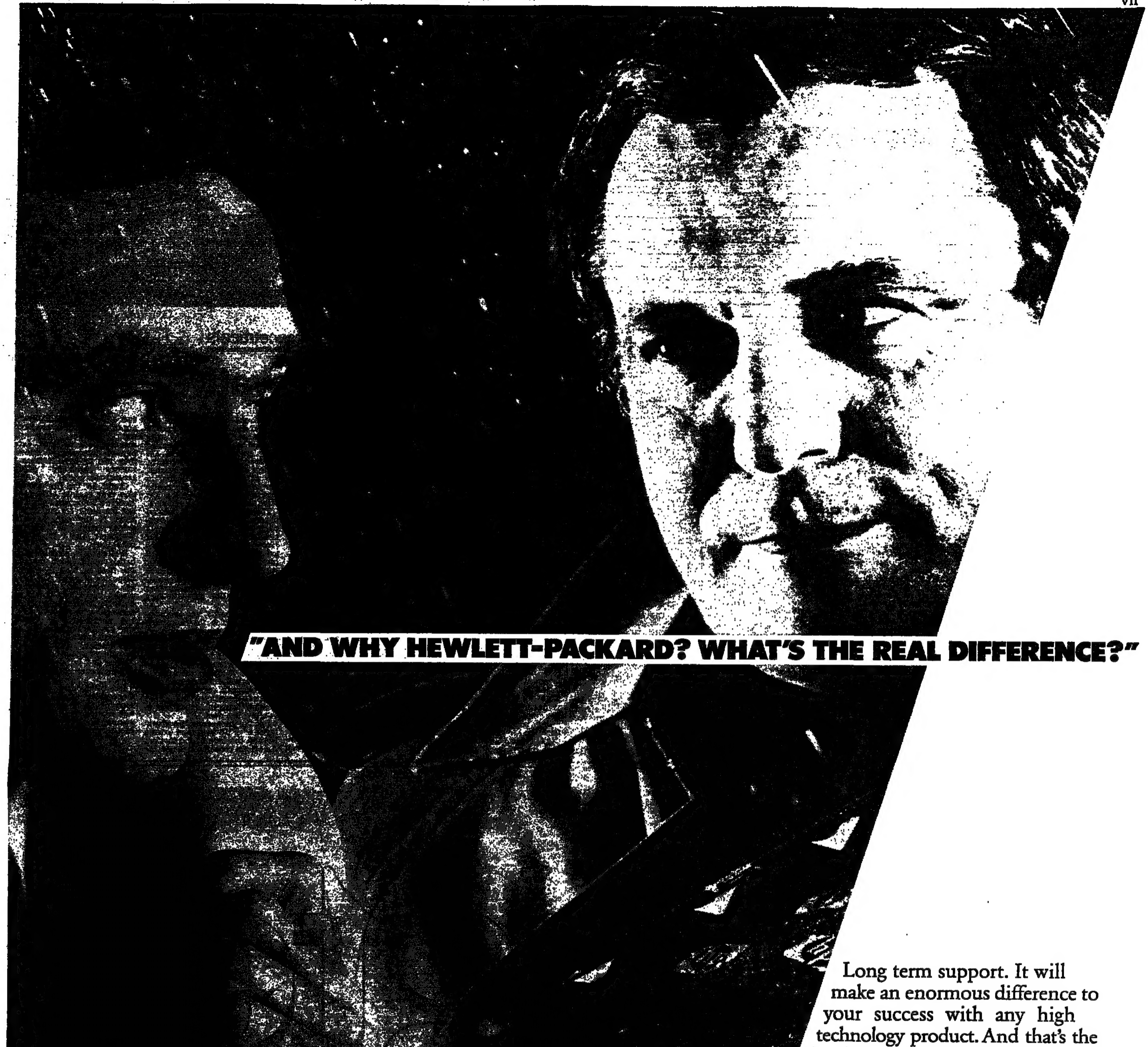
JET has already exceeded its targets for the first phase of the experiments, and plans are being made to raise its working temperature higher by beams that inject extra energy into its plasma. The original programme called for a final active phase in 1990, when radioactive fuels would be injected. At this point experimental costs will increase immensely and this phase was foreseen both as brief and as terminal for the project.

Recently, a modified programme has been proposed, for an additional two years of inactive research, pushing fusion conditions still higher, before the system is made radioactive. Mr Collier maintains this change is warranted by the scientific progress JET has already made.

It will also help bridge an uncomfortable gap that may open while scientists and politicians debate the next stage of research. Will it be NET? Will it be a truly international fusion experiment involving the USSR, US and Japan, all of which have their counterparts of the JET experiment?

Will Europe, in fact, continue to fund research into a new source of energy which seems unlikely to come into commercial use for 40 to 50 years?

David Fishlock



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Biotechnology

Collaborative ventures rare

A RECENT study of biotechnology in western Europe, which embraced 11 countries, has identified the following six characteristics:

• Basic research is world-class in a number of key areas;

• The research and development system provides few opportunities for independent research by young scientists, and frequently fosters a negative attitude towards industrial activities;

• The state plays an important—sometimes key—role in industrial development;

• Biotechnology is concentrated in big, established companies with long-term R and D programmes and strong cash reserves;

• Venture capital is not readily available to new small companies;

• European companies are more likely to enter into partnership with US firms than with their European counterparts.

These conclusions deserve to be taken seriously. They come from a report made by a US molecular biologist, Professor Robert Yuan, of Maryland University, done on behalf of the US Department of Commerce, for whom he is senior adviser in biotechnology. It had asked him to undertake a 16-month investigation of its trading rivals in an enabling technology expected to underpin a considerable tranche of US industry by the turn of the century.

On the basis of his findings in Europe, the study makes recommendations for US action to try to maintain what is perceived as its lead in the development of biotechnology, including the need for greater collaboration with European laboratories and the European Community.

After the US, Europe has the world's biggest science base in biology, but Europe's universities were slow to respond to the explosion in knowledge in the biological sciences, not least because of the interdisciplinary nature of this (as of other) enabling technology and the inflexibility of traditional university boundaries in the sciences.

In some countries, such as France and West Germany, the response has been to mount national programmes that co-ordinated government departments and agencies, to try to accelerate biotechnology transfer into industry. Britain also has a co-ordinated programme, under the aegis of its Department of Trade and Industry.

Biotechnology in W. Europe

	Pharmaceuticals	Specialty Chemicals & Food Additives	Agriculturals	Commodity Chemicals & Energy Production	Environmental Applications	Bioelectronics
Finland	R/I	R/I	R*/I			
Norway	R	R	R			
Italy	R/I	R/I	R*			
Spain	R/I		R*			
Switzerland	R/I	R/I	R/I*			R*
Denmark	R/I	R/I	R			
Sweden	R/I	R/I	R/I		R/I*	R
Netherlands	R/I	R/I	R/I*		R/I	
France	R/I	R/I*	R			R*
UK	R/I	R/I	R/I	R	R/I*	R/I*
Germany	R/I	R/I	R		R	R
Japan	R/I	R/I	R/I	R/I*	R/I*	R/I*
US	R/I	R/I	R/I		R*	R*

R=Basic Research. R*=Limited Activities. I=Industrial Activities. I*=Preliminary Activities.

As well as providing funds, the co-ordination of biotechnology programmes has served another important function in establishing a political consensus in support of biotechnology, in situations where regional and local governments can be an important element in its development.

There was always the risk that biotechnology might fall foul of the kind of opposition mounted against nuclear technology, and some evidence that the same groups of critics—such as Friends of the Earth—were focusing on biotechnology.

Governments in Europe determine the pace of biotechnology. They have also taken the major responsibility for safety of its new products and process technology. There are instances—notably in Denmark but also proposed in West Germany—of restrictive legislation on genetic engineering, which could hamper research as well as industrial development.

Another sector where European governments, both individually and collectively through collaborations such as the European Molecular Biology Organisation (Embo), have taken a major role is the acquisition and dissemination of biotechnology information, both scientific and commercial. For instance, Europe has organised the European Biotechnology Information Project, a joint venture between the EC and the British Library.

Surveys indicate that only Britain and Japan offer a full spectrum of research relating to the six key sectors of industrial applications foreseen for biotechnology. All European countries have put their main effort into new pharmaceuticals and human health care.

Europe has much lower levels of activity in its application to agriculture, food and speciality chemicals.

The Yuan study identifies what it calls "choke points," which limit the rapid development of the scientific base into commercial biotechnology. It finds that, although these choke points vary from country to country, there is unanimity to a surprising degree, for example in that they include:

☐ Genetics and physiology of industrially relevant micro-organisms (including industrial fermentation conditions).

☐ Enzymology (incuding its use in production).

☐ Protein engineering.

☐ Genetics and physiology of plant and animal cells (including industrial fermentation conditions).

☐ Plant biochemistry.

☐ Use of micro-organisms in bio-conversion (including waste treatment).

☐ Use of enzymes and anti-bodies in bio-sensors.

☐ Risk assessment in biotechnology.

☐ Bio-reactor design and separation (downstream) technology.

International co-operation is potentially a way of overcoming these "choke points." But trans-boundary collaboration in Europe is still rare except in the context of EC programmes and the new Eureka initiative. The Yuan report also finds that the nuber of visiting US scientists reaching European biological laboratories is on the decline.

For industrial exploitation of biotechnology, Europe's most obvious choke points are:

• The funding of basic research and training.

• Government pricing.

• Regulation policy.

• Tax and employment laws.

The business environment in Europe favours the big, established organisation, and new start-ups face obstacles both in financing and in the business and cultural environment in which they are trying to function.

Britain seems to have created the most favourable climate for start-ups, according to the Yuan study. It has 43 per cent of the new business start-ups of all kinds in Western Europe, compared with 18 per cent for the Netherlands, 14 per cent for France, and 9 per cent for West Germany. But of these investments, only 4.5 per cent has gone into new biotechnology ventures.

* * *

Biotechnology in Western Europe by Professor Robert Yuan. Published by the US Department of Commerce, April 1987.

David Fishlock, Science Editor

Setting up a test for AIDS-virus antibody at the joint medical school of Middlesex Hospital/University College, London

Trevor Humphries

Pharmaceuticals

Strong on innovative skills

EUROPE'S pharmaceutical companies are so successful as almost to break the rules.

The drug industry depends above all on successful research and innovation, and operates in truly global markets, in which the cost of shipping the product is only a tiny part of its price.

It is a recipe which in other industries has led first to domination by the US, then to annihilation by the Far East. But last year the UK alone increased its net exports of pharmaceuticals to £850m, and Japan continued to be a heavy net importer.

The league table of drug companies published by the UK newsletter, Scrip, shows the world's two biggest companies by sales in 1985-86 to be Merck and American Home Products, both of the US. But the world's most profitable drug company is Glaxo of the UK.

American Home, too, has as its biggest-selling product Inderal, a beta-blocker heart drug sold under licence from its inventor, Imperial Chemical Industries of the UK. The world's biggest-selling individual drug, too, is British—Zantac, from Glaxo.

Only last year, Zantac ousted from the top spot another ulcer drug, Tagamet, which although owned by a US company, SmithKline, was invented by British scientists in the company's UK laboratories.

Looking further down the Scrip lists, the European names start to appear. Third in size after Merck and American Home is Hoechst of West Germanw, followed by Ciba-Geigy of Switzerland and another German group, Bayer. The top Japanese company, Hakeda, ranks 17th, and there are only three Japanese companies in the top 30.

The remarkable success of British drug companies, in particular, has been cynically ascribed to the "better mousetrap" theory. Invent a drug which is wholly new and therapeutically useful—something the British are remarkably good at—and the product will walk off the shelves. The Japanese, less skilled at innovation, also have less room to deploy their marketing skills.

There is some truth in this, but it is changing. Japanese research is making great strides, and if little of it is truly original, there is a good living to be made in the drug industry by producing imitative products which offer advantages such as differences in the side-effect profile.

In addition, European companies have, in general, been slow to enter the US market, the largest and most remunerative in the world. For ICI to have handed away a world-beating drug like Inderal to a US licencee was, until recently, typical of European companies, few of which were willing to devote resources to the costly business of establishing a US sales and distribution network.

The 1980s have seen a belated change of policy. Some companies—Glaxo, for instance—have been building up sales forces from scratch, and Glaxo has also set about building a US research operation. Others, such as Solvay of Belgium, have acquired US drug companies for the sake of the marketing and distribution networks they provide.

Boots of the UK was one company for which this approach was judged so expensive as almost to provoke a shareholder revolt. Its $600m purchase of Flint of the US in August of last year was undertaken mainly to secure a 70-strong sales force. This worked out at around $8m per salesman, and it took Boots a lot of persuasion to induce the London financial institutions to swallow the deal.

For the Europeans, the advantages of a US presence extend beyond the lure of the market. American research has notable successes to its credit, and the big drug companies are becoming conscious that their research efforts must extend beyond European borders if they are to benefit from the various scientific cultures around the world.

Credit for the first prescription drug against AIDS goes to Britain's Wellcome Foundation, but the discovery and development of the drug were the achievements of Burroughs Wellcome, the company's US subsidiary.

Wellcome is, as it happens, a highly sophisticated operator in the field of biotechnology. As discussed elsewhere in this survey, Europe has advances to its credit here; but if, as some believe, biotechnology represents the major growth area for the pharmaceutical industry, the position of the European industry is unsatisfactory.

Wellcome has licensed its knowhow in deep cell culture to Japan, and is busy developing products such as interferon and TPA.

But Wellcome is behind Genentech of California in the race to bring TPA to the market, and most other European drug companies are less sophisticated again.

Tony Jackson

Computer Hardware

Slowdown leads to consolidation

STRATEGIC ALLIANCES with American or Japanese partners seem likely to remain the best opportunity for European companies to retain a credible presence in computer hardware markets.

Without such alliances, European computer manufacturers seem set to become, at best, worthy competitors in well-defined niche markets, at worst, simply irrelevant to the development of the world data processing industry.

The most dramatic move of the past 12 months involved the formal amalgamation of the data processing interests of Machines Bull, the French computer manufacturer, Honeywell of the US and Nippon Electric of Japan, the first world-wide joint venture between US, European and Japanese computer giants.

At one level, it rationalised a series of previous alliances where NEC supplied Honeywell with central processing units for its top-of-the-line mainframes, Bull marketed Honeywell and NEC machines in France and Honeywell marketed Bull's DPS-7 mid-range computer in the US.

More profoundly, however, it was an indication of the way relationships within the computer hardware industry are changing in response to increased world-wide competition and research and development costs.

These changes include the merging of two long established US-based mainframe manufacturers Burroughs and Sperry to form a new company, Unisys.

Furthermore, the pace of growth in the computer industry world-wide has slackened in recent years, caused, it is thought, by a new awareness on the part of management in major companies of the need to evaluate carefully their information technology strategies. Buying decisions have been delayed or postponed while these reviews run their course.

Slackening business has forced the pace of consolidation: Siemens and BASF of West Germany pooled their IBM-compatible computer businesses at the beginning of the year. BASF had marketed machines built by Hitachi of Japan. Siemens had a similar arrangement with Fujitsu.

These new examples of consolidation come in addition to the well established arrangements between Olivetti of Italy and AT&T of the US in business micro and mini computers.

ICL of the UK continues to have tight technological links with Fujitsu which manufactures central processing unit chips to ICL's specifications.

Computer hardware

The European Market Leaders

IBM	22%
Siemens	5%
DEC	4%
Olivetti	3%
Bull	3%
Unisys	3%
Nixdorf	2%
Hewlett-Packard	2%
ICL	2%
Philips	2%
NCR	2%

Source: International Data Corporation

Mr Rolf Skar

It has to be said, however, that these alliances seem unlikely to shake the dominance of IBM in every European country. Overall, according to figures from International Data Corporation (IDC), IBM has 22 per cent of the European data processing market.

In second place, with a mere 5 per cent, is Siemens followed closely (4 per cent) by Digital Equipment.

No other company has more than 3 per cent of the European market. But, as IDC points out, Europe is not one market but a series of small and medium sized markets dominated by US suppliers but where Europeans can be important locally and in market niches.

In the UK, for example, ICL says it has ended the slow erosion of its market share towards IBM. Furthermore, it has good reason to claim that it is now the leading supplier of electronic point of sale (Epos) and local authority systems.

Nixdorf Computer of West Germany, one of Europe's genuine success stories in medium sized computer systems, has a strong presence both in financial services and in retailing.

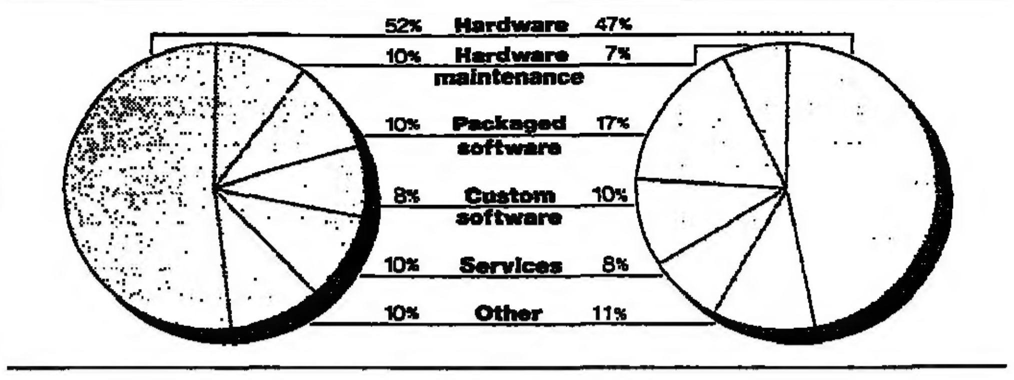
It has shown good growth in the US, where Montgomery Ward, the fifth largest US retailer, has placed an order for Epos hardware and software worth $100m. By 1990, Nixdorf says, it should have installed 15,000 cash terminals and 500 computer terminals in all of Montgomery Ward's 290 stores.

The key to Nixdorf's growth, apart from its skilful tax management and care over its currency relationships, is its excellent relationship with its customers.

Its strategy has been to supply systems to market niches which it chooses with great care and then tends vigorously.

It shares that approach with another of Europe's computing success stories Norsk Data of Norway.

An evolving market: the share of total external spending



Source: International Data Corporation

It combines excellent technological capabilities with a powerful appreciation of its customer's needs. The result has been growth which has scarcely faltered in 14 years. It starts from a position of strength in its native Scandinavian markets but 40 per cent of its sales come from abroad. It is looking to improve that position through partners in other countries, a cautious approach which seems to pay better dividends than the frontal attacks favoured by some of its competitors—to its cost.

Innovation, design and manufacture are not the most serious of problems faced by the European hardware industry. Inmos and Acorn have shown they can devise processor chips as powerful and elegant as any designed in Silicon Valley and they have shown they can be built into effective systems.

Philips and Siemens have demonstrated that there is nothing in memory design and fabrication that is beyond European companies.

Collaborative European research ventures like Esprit in information technology and Race in telecommunications have illustrated that European countries can work together—if indeed after the European Nuclear Research Centre (CERN) any further proof was needed.

And Amstrad has shown that through tight financial control and effective manufacturing techniques, it can match IBM and its clones at the lower end of the personal computer marketplace.

But these are small islands of brilliance in a storm-tossed sea. Europe has yet to find a strategem to take the place of the US's vast home markets or Japan's singleness of purpose. Many analysts are now looking hopefully to software and services, fearing it is already too late for Europe to turn the hardware tide.

Alan Cane

Computer Software

Seeking a common tool environment

EUROPE HAS a distinguished but distinctly patchy record in computer software. It has companies like CAP Gemini Sogeti of France, Software AG of West Germany and Scicon International of the UK which are as large, talented and influential as any in the business, yet it has few outright "stars" like the US companies Lotus Development Corporation, Management Science America or Microsoft.

To some extent, this is a function of the heterogeneous nature of the software business. Much of it is in the grasp of the hardware manufacturers and so inaccessible to independent software houses.

The manufacturers keep to themselves the responsibility for designing and building operating systems software, the large and complex programs which control the inner workings of the computer itself.

Since there *is* a direct and intimate link between the physical design of the computer hardware and the logical design of the operating system, the manufacturers have an insurmountable advantage in developing these programs.

And as Europe is no longer a major power in the hardware business, its opportunities in operating system software are strictly limited.

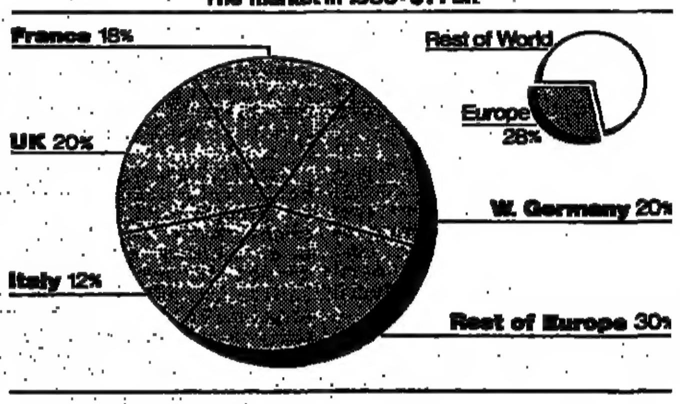
IBM, in fact, with its range of operating systems designed around its mainframe System/360 architecture dominates the operating system business. Plug compatible manufacturers who build machines that emulate IBM computers are forced to offer IBM's operating systems.

Furthermore, its proprietary technique for linking its computers together, Systems Network Architecture (SNA), threatens to become the major datacommunication standard the world over.

Software standards, sets of agreed international rules which set out how a piece of software behaves and how it relates both to the computer it runs on and to other software, have become the key issue.

European data processing

The market in 1986: $77bn



Source: International Data Corporation

This is why European computer manufacturers like ICL, Siemens, Olivetti and Nixdorf have been joined by major US computer manufacturers in a push to establish standards around Unix, an operating system which, they are determined, should not be controlled by any one manufacturer.

It also explains why computer manufacturers, European and American alike, are pressing for the adoption of a standard international set of rules for the interconnection of computer systems.

Called Open Systems Interconnect (OSI), it is seen as a bulwark against the possibility that IBM will establish SNA as the world standard, giving it an insurmountable competitive technical advantage.

It has to be made clear that nobody expects that IBM—or indeed, any of the other major manufacturers—will give up their proprietary operating systems for the top ends of their ranges. They have too much time and money invested in them.

But for medium sized machines and personal computers, Unix is seen as a powerful alternative to manufacturer's operating systems and one which would give every software developer the chance to start from a similar base position.

European computing companies, driven by enlightened self-interest, have played a major part in making the case for Unix.

Some indication of this is given by the fact that last year a European, Dr Pamela Gray of the UK company Sphinx, was named president of the US Unix users group.

But Unix has yet to find enthusiastic acceptance by users of computers as opposed to those making them. There are still too many different and incompatible versions. By the end of this year, a new version should be ratified as an international standard by the major standards-making bodies.

Called Posix, or portable operating system interface X, it is not a true operating system but a set of rules which define how an application software program—the part written by software houses—must interact with the operating system.

The standard issue apart, a major difference between US and European software houses turns around the issue of software products or packages, generalised pieces of software which have a specific application and which can be used by many different customers.

The US industry with its massive, homogeneous home market has developed the package to a fine art which is the reason why Lotus can grow from nothing to the largest independent software house in the world in less than five years (it has now been overtaken by the merger between Computer Associates and Uccel) through massive sales of its integrated spreadsheet 1-2-3.

Europe, with its many, discrete markets has never been able to compete with the US in packages. There are a few honourable exceptions—Shadow II, a teleprocessing monitor now marketed by Thorn EMI, found favour in the 1970s, while Midas from BIS is still the world's top selling banking package.

And Software AG, based in Darmstadt has had continued success over the years with Adabas, an advanced database management system which runs on IBM and Digital Equipment Corporation computers.

Europe's strength, however, lies not in packages but in custom and semi-custom software. It is at the forefront of developments planned to make it easier to write software quickly while guaranteeing that it will work effectively.

Packaged solutions, it has been found, are not the answer to every company's problems.

Dr Pamela Gray

But software productivity is low everywhere. The aim is to develop methods of putting software production on a more scientific basis using the computer itself to manage and control the software generation process.

Software developers describe these sets of techniques as "environments".

European hopes are pinned to a development called the Portable Common Tool Environment (PCTE). Software tools are programs which make it easier to write other programs and so improve productivity.

A common tool environment would imply a common set of standards across Europe for software generation which could give it a boost in its area of strength—writing special software to link together standard software modules to create customised systems for Europe's diversity of computer users.

Alan Cane

Telecommunications

Liberalisation to be tested

DECISIONS ARE due in the next 12 months which will show how deep-rooted the trend towards the liberalisation of telecommunications is in the main European markets.

Both West Germany and France are expected to make up their minds on how much competition they want to introduce into their telecommunicatons markets, still closed in crucial respects. Meanwhile many smaller countries are also considering whether to follow suit.

In addition, the European Commission will have to sift through responses to its June green paper on telecommunications liberalisation and decide how, if at all, it is to give a further prod to the impetus towards more open markets. Further moves can also be expected to rationalise Europe's equipment manufacturers.

The magnitude of the issues at stake were set out by Mr Karl-Heinz Narjes, vice president of the European Commission, last month when introducing the Commission's green paper.

By the end of the century, he argued, some 60 per cent of all the jobs in the European Community will depend on the convergent technologies of telecommunications computing.

Yet European industry is at an inherent disadvantage because of the fragmentation of its national markets: no European country accounts for more than 6 per cent of the world telecommunications market, as against more than 35 per cent for the US and 11 per cent for Japan. Moreover, many European telecommunications administrations, made sluggish by years of holding a monopolistic grip on their markets, have been slow to introduce the new telecommunications services which businesses in particular are demanding.

"If Europe is to meet the challenges, it must be out of the question for existing national monopolies to be responsible for the entire telecommunications functions," Mr Narjes argued.

The Commission believes it must break down the regulatory, standards and legal barriers that surround most telecommunications authorities in Europe as part of its ambitious drive to create a free internal market within the European Community by 1992. So it proposed in its green paper:

- Liberalisation of the supply of all terminal equipment, except possibly the first telephone, and of value added services.

The Bundespost has introduced ITT's System 12 into its network. Substantial liberalisation of the German market is in prospect

- An end to telecommunications authorities' regulatory powers to stop them choking competition.
- A ban on cross subsidies in any areas open to competition.
- Agreement on standards, frequencies and tariff principles to promote competition across the Community.
- A new European Telecommunications Standards Institute to champion the creation of common standards.
- The opening up of some types of satellite communications to competition.

The Commission says that Europe's telecommunications authorities raised no fundamental objections in principle in preliminary discussions of these proposals, though they have still to respond in detail.

Yet perhaps a truer guide to the real sentiments of the European authorities is whether they are prepared to open up their own markets under their own steam. West Germany, France, Italy, Spain, Portugal and the Netherlands are among the countries considering plans to liberalise their telecommunications, though the outcome in some of these is far from certain.

In West Germany, a government commission which has been studying the country's telecommunications since 1985 is due to publish its final report this autumn. Provisional recommendations released earlier this year centred on three points:

- The Bundespost would be divorced from the Ministry of Posts and Telecommunications, making it less like an arm of government.
- The Bundespost would keep its monopoly of switching and transmission, but would lose its control over other areas of telecommunications.
- The Bundespost would lose its grip on switching and transmission if its charges for private leased lines had not moved closer to those of other countries within three years.

However, there is considerable doubt as to whether the political will exists in West Germany to push through fundamental reforms, even though the Bundespost has been criticised—including in a report commissioned by the government commission—for inefficiency, failure to innovate and charging too high prices.

In France too there is uncertainty as to how far the government will go in following up the liberalising zeal it has on occasions expressed. It has said it will open up value added services to competition by the summer and put a more far reaching Bill, designed gradually to break up the monopoly of the Direction Generale des Telecommunications, before parliament this year.

Comparisons

The supply of private exchanges and telephones: How liberal is Europe?

	Private Exchange	Telephone
Belgium	PL	M
Denmark	M	M
France	L	L
W. Germany	L	M
Greece	L	M
Ireland	L	M
Italy	L	M
Netherlands	M*	M*
Portugal	L	M
Spain	RC	M
UK	L	L

KEY: L=liberalised. M=monopoly. PL=partly liberalised (some types liberalised). RC=regulated competition with liberalised entry.
* Netherlands is to liberalise the supply of all terminal equipment from the start of 1989.
Source: European Commission.

Although DGT officials talk about the possibility of having to compete with a French equivalent of Britain's Mercury before too long, no one will be too surprised if the timetable for change begins to drag, especially since some of the easiest areas to liberalise—the supply of private exchanges and telephones—have long been open.

Many Continental experts believe the UK's experience of liberalisation—by far the most extensive in Europe—shows that opening up telecommunications markets has disadvantages, as well as benefits such as greater choice and efficiency.

In particular, they point to the flood of imports of telecommunications equipment into Britain since it liberalised and to British Telecom's restructuring of its tariffs, which is widely seen as having benefited business users at the expense of residential customers.

Indeed, the European Commission fought shy of proposing any action in the most sensitive area of all—the telecommunications networks themselves.

Meanwhile, Europe's equipment manufacturers are continuing to talk to one another in the search for greater economies of scale as development costs mount and markets become increasingly global. Two events have stood out during the past year.

Alcatel of France gained control of the telecommunications equipment interests of ITT of the US to create the second largest equipment manufacturer in the world after American Telephone & Telegraph. In April, Ericsson of Sweden took control of CGCT, the second French public exchange manufacturer, bringing to an end a bitter struggle which had seen the US Government lobbying hard for the joint venture between AT & T and Philips of the Netherlands, at one time considered the favourite to take over CGCT.

With three clear market leaders among the European equipment suppliers—Alcatel, Siemens of West Germany and Ericsson—the pressure is likely to mount on the UK suppliers, particularly General Electric Company and Plessey, and Italian companies, notably Italtel and Telettra, to rationalise their activities further.

The American giants—AT & T and Northern Telecom of Canada—will also keep up their assaults on European markets.

David Thomas

Mobile communications

Moving nearer a unified market

THE SHAPE of European industry's response to the ambitious plans by European governments for a new pan-European digital cellular network should become clearer over the next six months.

The pan-European cellular network, one of the most ambitious telecommunications projects ever mooted by the European authorities, promises benefits on a number of fronts.

Most obviously, it will allow customers to roam with their cellular telephones throughout Europe for the first time. A British businessman will be able to use his cellular phone in Munich: he cannot do this now, because the present generation of analogue cellular networks have been built in each country on the basis of incompatible standards.

The pan-European network, scheduled to be introduced in 1991, will create a unified European home market of a size to rival that of the US or Japan. It will generate equipment orders worth £600m a year in the 1990s, according to one estimate.

Just as important is the symbolic importance of the pan-European project. It shows to a cynical outside world that Europe need not be forever divided by incompatible standards whose roots lie in debilitating national rivalries. If Europe can get its act together in this area, then the chances of creating a unified market in more complex areas of telecommunications technology seem less of a pipe-dream.

Moreover, Europe should steal a rare technological lead over the Americans and the Japanese, neither of whom are planning to move to digital cellular at present. The pan-European project, if successfully implemented, should help "to bring Europe from a struggling entity in communications to a world leader in communications," Mr Hershel Shosteck, a US consultant specialising in cellular, said recently.

Discussions now under way should fill out what at present is little more than the skeleton outline of the pan-European proposal before the end of the year.

The European standard setting authorities are doing further work on the technical detail, now that the big obstacle—agreement across Europe that the system should be narrowband—has been removed. Talks between telecommunications authorities on commercial and administrative questions such as tariffs and billing arrangements will probably get under way in earnest before the year end.

By then, too, the pattern of industry's response should be clearer. Intense discussions now under way between virtually every manufacturer in Europe with an interest should result in the formation of transnational joint ventures to make digital cellular equipment over the next few months.

The British businessman may soon be able to use his cellular phone in Munich

Two broad consortia are already beginning to take shape. One involves Ericsson of Sweden and the other takes in Motorola of the US—the two rival companies which are the world leaders in the manufacturer of the present generation of analogue cellular equipment.

Ericsson has clinched or is discussing partnerships in all the larger European markets.

"Our strategy is to have a number of bilateral agreements," says Mr Ake Lundqvist, president of Ericsson's radio systems division.

Mr Lundqvist explains further: "We recognise that Ericsson—not being part of the Common Market—might have political difficulties in entering the big markets."

Ericsson has agreed to develop cellular equipment with Siemens of West Germany. It cemented a manufacturing arrangement with Matra of France as part of the deal whereby it took control in April of CGCT, the second French public exchange maker.

Ericsson is also discussing a link with Orbitel, the cellular equipment joint venture between Racal and Plessey of the UK announced in May. Orbitel is commited to making equipment for the pan-European digital network. It may adapt System X, the digital telephone exchange developed by Plessey and Britain's General Electric Company, for the cellular market.

Motorola hopes to be part of a powerful consortium capable of supplying the whole of Europe. It has held negotiations about this with Alcatel of France and British Telecom, whose interest lies in the development rather than the manufacture of digital cellular equipment. Any consortium involving Motorola might also rope in other companies, such as GEC.

The present cellular operators are also beginning to think about how they will become involved in pan-European digital. For example, Cellnet, one of the two UK cellular networks, has been giving preliminary thought to inviting Continental telephone operators to take a stake in the network it plans for pan-European digital. In return Cellnet would hold a stake in similar networks on the Continent.

Yet the high hopes generally held about pan-European digital are also being tempered by some cautious voices. The European industry seems evenly divided between those who believe that 1991 is a feasible target date for at least the initial parts of the pan-European network to be in place and those who argue that it is more realistic to assume a start-up date of a couple of years later.

The idea that Europe is stealing a technological lead over the American and the Japanese might be of only theoretical importance because the US and Japan may feel little pressure to follow Europe down the digital route.

Industry experts in the US argue that the analogue systems in the US, although signing up customers rapidly, are unlikely to be under capacity constraints even in the 1990s. So, they say, there will be little incentive for the US to engage in the costly business of building alternative digital networks.

Moreover, some people believe that digital cellular will initially seem less attractive to customers than the existing analogue networks. Although Motorola is committed to participating in pan-European digital, Dr Ed Staino, in charge of Motorola's cellular operations, says that digital cellular will be more expensive at first and will not be able to support portable machines.

Meanwhile, the rapid development of the present generation of analogue cellular continues in leading European countries.

The fastest growing is the UK, where the two cellular operators, Cellnet and Racal Vodafone, are investing heavily to cater for growth. With over 160,000 subscribers, the UK has now overtaken Sweden to have the largest number of cellular users in Europe.

Cellnet and Vodafone recently announced that they had reached their target population coverage—to cover 90 per cent of the British population—two and a half years earlier than the deadline set by the British Government. Both are still counting on 500,000 subscribers, shared roughly equally between them, by the end of 1990.

However, the Scandinavians remain the market leaders in Europe in terms of the penetration of cellular use. Cellular pioneers in Europe, the Scandinavians are alone in having a penetration level of more than 10 per 1,000 population.

A point to watch over the coming year is how rapidly cellular expands in West Germany and France, the two large European markets which have been slow to realise cellular's potential.

Cellular use in West Germany has been expanding smoothly since the Bundespost introduced its first fully cellular service there in the middle of last year. Siemens believes demand could be 400,000-500,000 by the time pan-European digital enters service in 1991.

France, by contrast, still does not have a fully cellular service, though there has been talk of introducing one in competition with the present severely limited mobile communications service.

David Thomas